

City of Fort Smith, Arkansas

Comprehensive Annual Financial Report

Year Ended December 31, 2015

Prepared By the

City of Fort Smith, Arkansas Finance Department

City Board of Directors

Sandy Sanders, Mayor

Keith Lau
Andre' Good
Mike Lorenz
George Catsavis
Tracy Pennartz
Kevin Settle
Don Hutchings

City Administrator Carl Geffken

Director of Finance Jennifer Walker

City of Fort Smith, Arkansas

Year Ended December 31, 2015

Contents

Introductory Section

Letter of Transmittal	6
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	12
Organizational Structure.....	13
List of Elected and Appointed Officials	14

Financial Section

Independent Auditor's Report.....	16
--	-----------

Management's Discussion and Analysis	20
---	-----------

Basic Financial Statements

Governmental-Wide Financial Statements:

Statement of Net Position.....	32
Statement of Activities	34

Fund Financial Statements:

Governmental Funds:

Balance Sheet	36
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	37
Statement of Revenues, Expenditures and Changes in Fund Balances.....	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	40

Proprietary Funds:

Statement of Fund Net Position	42
Statement of Revenues, Expenses and Changes in Fund Net Position	44
Statement of Cash Flows.....	46

Fiduciary Funds:

Statement of Fiduciary Net Position	48
Statement of Changes in Fiduciary Net Position	49

Notes to Financial Statements	50
-------------------------------------	----

City of Fort Smith, Arkansas

Year Ended December 31, 2015

Contents (Continued)

Required Supplementary Information

Agent Multiple-Employer Plans

Schedule of the City's Net Pension Liability and Related Ratios – FRPF (the Old Fire Plan).....	126
Schedule of the City's Pension Contributions – FRPF (the Old Fire Plan).....	127
Schedule of the City's Net Pension Liability and Related Ratios – PRPF (the Old Police Plan)	128
Schedule of the City's Pension Contributions – PRPF (the old Police Plan)	129

Cost-Sharing Plans

Schedule of the City's Proportionate Share of the Net Pension Liability – LOPFI (the New Plans)	130
Schedule of City's Contributions – LOPFI (the New Plans).....	131
Schedule of the City's Proportionate Share of the Net Pension Liability – APERS	132
Schedule of City's Contributions – APERS	133
Fort Smith Public Library - APERS	134
Analysis of Funding Progress – OPEB Plans.....	135
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	136
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Street Maintenance Fund	137
Notes to Required Supplementary Information.....	138

Supplementary Information

Nonmajor Governmental Funds:

Combining Balance Sheet	141
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	142

Internal Service Funds:

Combining Statement of Net Position	144
Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	145
Combining Statement of Cash Flows	146

Discretely Presented Component Units:

Governmental Activities:

Combining Statement of Net Position	148
Combining Statement of Activities	149
Balance Sheet – Advertising and Promotion	150

City of Fort Smith, Arkansas

Year Ended December 31, 2015

Contents (Continued)

Statement of Revenues, Expenditures and Changes in Fund Balance – Advertising and Promotion.....	151
Business Type Activities:	
Combining Statement of Net Position	152
Combining Statement of Activities	153
Combining Statement of Cash Flows	154

Statistical Section (Unaudited)

Net Position by Component – Table 1	159
Changes in Net Position – Table 2	160
Changes in Fund Balances of Governmental Funds – Table 3	162
Fund Balances of Governmental Funds – Table 4	163
General Fund Revenues, Expenditures and Fund Balance – Table 5.....	164
General Governmental Taxes by Source – Table 6.....	165
Local Sales and Use Tax Collections – Table 7	166
Property Tax Levies and Collections – Table 8	167
Assessed and Estimated Actual Value of Taxable Property – Table 9	168
Property Tax Rates and Tax Levies – All Direct and Overlapping Governments – Table 10.....	169
Principal Taxpayers – Table 11	170
Computation of Direct and Estimated Overlapping Debt – Table 12	171
Computation of Legal Debt Margin – Table 13	172
Ratios of Outstanding Debt by Type – Table 14.....	173
Revenue Bonds Debt Service Coverage – Table 15.....	174
Demographic Statistics – Table 16.....	175
Principal Employers – Table 17	176
Full-time Equivalent City Government Employees by Function – Table 18	177
Capital Asset Statistics by Function – Table 19.....	178
Operating Indicators by Function – Table 20.....	179
Solid Waste System Statistics – Table 21	180
Water and Sewer Statistics – Table 22	182

Other Required Reports

Independent Accountants' Report on Compliance With Certain State Acts	184
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INTRODUCTORY SECTION



September 30, 2016

To the Honorable Mayor, Members of the
Board of Directors, and Citizens of
the City of Fort Smith:

Arkansas law allows cities to choose to publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The City has exercised this option. Accordingly, we hereby issue the comprehensive annual financial report (CAFR) of the City of Fort Smith for the fiscal year ended December 31, 2015.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City's financial statements have been audited by **BKD, LLP**, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended December 31, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. **BKD, LLP** concluded, based upon the audit, that there was a reasonable basis for rendering unmodified ("clean") opinions on the financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund and aggregate remaining fund information that collectively comprise the City's basic financial statements as of and for the fiscal year ended December 31, 2015. The independent auditor's report is presented as the first component of the financial section of this report.



The independent audit of the City's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports have been issued separately.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report in the financial section of this document.

Profile of the City

Fort Smith is located in western Arkansas on the border of Oklahoma and is the second largest city in the state. The City was incorporated in 1842 and is the county seat for Sebastian County. Fort Smith is 159 miles west of Little Rock and 145 miles southeast of Tulsa, Oklahoma. The City serves as the central focus for a six-county economic and trade region in the west central area of Arkansas and the east central area of Oklahoma. The City encompasses 68 square miles and has a population of approximately 87,000. The City is empowered by state statutes to levy real and personal property taxes within its limits and extend the corporate limit by annexation, which occurs periodically when deemed appropriate by the Board of Directors. State statutes also allow the City to levy local sales and use taxes.

Since 1967, the City has operated as a City Administrator form of government. The Mayor and the Board of Directors are elected to staggered, four-year terms. The Mayor and three directors are elected at large and the remaining four directors are elected in representative wards of the City. The Board of Directors is charged with setting policy and enacting laws for the City. The City Administrator is appointed by the Board of Directors and serves as the chief executive officer for the City.

The City provides a full range of services including public safety, construction and maintenance of streets and other infrastructure, parks and recreational activities, water and sewer services, solid waste collection and disposal, public transportation, and administrative services. The City also reports the financial activity for the Advertising and Promotion Commission, the Fort Smith Public Library, the Fort Smith Parking Authority, and the Fort Smith Airport Commission. These four entities are included in the financial statements as discretely presented component units. Additional information on these component units may be found in Note 1 in the notes to the financial statements.

The Board of Directors adopts an annual budget that serves as the City's financial planning document. Control over spending and allocation of resources are a main focus of the budget. The annual budget process begins in June of each year and is usually adopted each December. Appropriation requests by fund, division and department are submitted to the City Administrator and the Director of Finance. Resources are allocated based upon priorities established by the Board of Directors. The legal level of



budgetary control is the departmental level. For example, the Police Department is reported as a Public Safety (division) expenditure in the General Fund budget to actual statement located in the required supplementary information in the financial section of this report. The City Administrator is authorized to transfer appropriated amounts within individual funds. However, additional appropriations during the year require approval by the Board of Directors.

Factors Affecting Financial Condition

The information presented in the financial statements may be better understood when considered from a broader perspective of the environment within which Fort Smith's municipal government operates.

Local Economy. Total sales tax revenue in 2015 increased 1.8% over 2014 revenue. This was compared to a 2.8% increase in 2014 over 2013. The local economy growth is holding a slow and steady pace.

The City has seen significant industrial and residential development. Several major companies have longstanding and growing interests in the region, including Planters, Baldor Electric Company, Umarex USA, Phoenix Metals, and Mars Petcare.

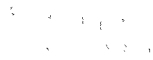
In 2013, Gerber, a Nestle Foods division, invested \$150 million in a facility expansion leading to 90 new jobs and increased production at the plant.

In September 2013, approximately 96,000 square feet of a former exhibition hall/rental center was redeveloped into what is known today as the Fort Smith Shared Services Center (SSC). Since then, the SSC has grown from more than 350 jobs in the local economy to over 600 at the end of 2015. The SSC today provides business office services to more than 40 hospitals in nine states.

In 2014, ArcBest Corporation, a transportation and logistics company, announced the construction of a new corporate headquarters at Chaffee Crossing in Fort Smith. They will invest \$30 million in a 200,000 sq ft facility that should be completed in late 2016. They anticipate adding 975 new jobs to the local economy through 2021.

In early 2014, it was announced that the Arkansas College of Osteopathic Medicine would be established at Chaffee Crossing in Fort Smith. The college anticipates its first class of medical students enrolling in fall 2017, and anticipates graduating 150 doctors of osteopathy annually beginning in 2021.

The City has seen large and small commercial developments continue in the City. Restaurant chains such as Five Guys Burgers & Fries, McAlister's Deli, Jimmy Johns, Taco Bueno, Buffalo Wild Wings and Texas Roadhouse have recently opened in the City. Burlington Coat Factory and Marshalls both opened stores in Fort Smith during 2016.



The Arkansas Air National Guard 188th Fighter Wing learned in 2013 that it would receive a new mission and convert from the manned A-10 aircraft to a remotely piloted aircraft, targeting and intelligence unit. The 123rd Intelligence Squadron will be relocating from Little Rock to the City. The 188th will be the only organization in the world with RPA, intelligence and targeting at a combined facility and all elements of the new missions should be fully operational out of the City by 2018 or 2019. This change preserves the 1,000 full and part-time jobs associated with the 188th with a mission that is sustainable for the long term as part of the modern Air Force.

Glatfelter, a Pennsylvania based company recently announced plans to turn the vacant Mitsubishi plant into a state-of-the-art production facility for air-laid paper products. Glatfelter is planning to invest \$80 million in the Chaffee Crossing facility that will provide approximately 83 jobs and be completed by late 2017.

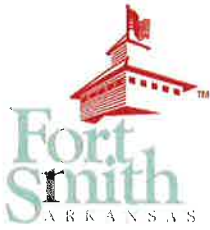
Downtown Fort Smith is experiencing a revitalization on various fronts. Propak Logistics purchased and remodeled an unused historic building in downtown Fort Smith as its corporate headquarters. The 24,000 square feet on three floors will be used as a mixture of corporate office space and retail. This project, coupled with streetscape projects and other private investment in office, residential, and commercial redevelopment, is representative of the successful resurgence of the downtown area.

Chaffee Crossing and other areas of the City continue to see robust residential development. There are currently more than 800 residential lots at various stages of development in the City.

The Fort Smith Regional Chamber of Commerce has organized a regional economic development organization which will include areas of western Arkansas and eastern Oklahoma up to 30 miles from the City. The regional approach will enhance relationships with the two states' economic development agencies, and will offer prospects more choices for potential locations.

Long-Term Financial Planning. In 1985, the City began collecting a one-percent (1%) local sales and use tax to fund its neighborhood and major street improvements. This sales tax is authorized through 2025.

The City also levies an additional one-percent (1%) local sales and use tax which is pledged to redeem bonds issued for large construction projects as well as provide operating resources for the fire and parks departments. The current 2012 Sales and Use Tax Bonds fund an aquatics park in conjunction with Sebastian County that opened in May 2015; a new fire station, existing station upgrades and improvements, and apparatus additions and replacements; wastewater improvements; and water improvements. The 2014 Sales and Use Tax Bonds fund additional water and wastewater improvements. This has proven to be a very effective way to fund projects and the City saves on interest charges because Arkansas sales tax bond issues have mandatory redemption requirements. Three-fourths of the existing 1% local sales tax supports the redemption of the 2012 and 2014 bonds.



The remaining ¼% of the tax assessment is used to provide operating and capital costs for the fire department and the parks department.

The City's comprehensive plan includes development and planning in and around Fort Smith. Local developers of planned residential areas outside the City limits continue to request City services. This may provide for future annexation that would increase the City's tax base. The comprehensive plan was updated at the end of 2014.

At the end of 2014, the City entered into a consent decree with the Department of Justice regarding wet weather sewer rehabilitation and improvements. In May 2015, the Board of Directors approved multi-year sewer rate increases to provide for some of the required projects and upgrades to the sewer system.

Other Information

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2014. The Certificate of Achievement is the highest form of recognition for excellence in local government financial reporting. This was the thirtieth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements. The preparation of the CAFR on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Special recognition is made to Jackie Joyce, Controller, and Christy Deuster, Office and Budget Coordinator, for their efforts. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

We also acknowledge the thorough, professional, and timely manner in which the annual audit was conducted and assistance with the CAFR production by **BKD, LLP**.



In closing, we acknowledge the contributions of the Mayor, Board of Directors, Internal Auditor, and the Audit Advisory Committee members who have consistently supported the City's goal of excellence in all aspects of financial management. Their encouragement and support is greatly appreciated.

Respectfully submitted,

Jeff Dingman
Deputy City Administrator
(Acting City Administrator in 2015)

Jennifer Walker
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Fort Smith
Arkansas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

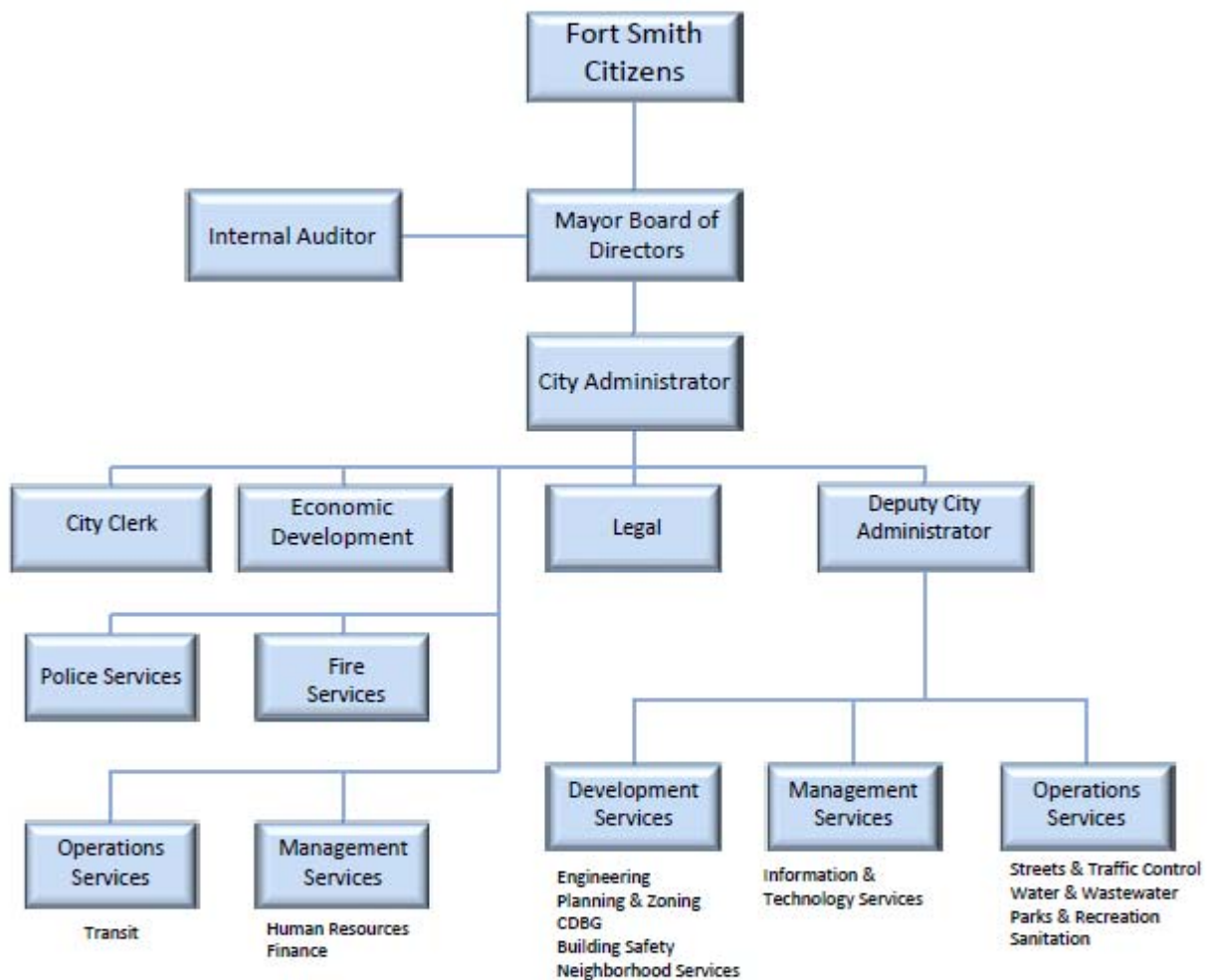
December 31, 2014

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO



Organizational Structure



City of Fort Smith, Arkansas
List of Elected and Appointed Officials
December 31, 2015

Elected Officials

Mayor	Sandy Sanders
Director-Ward 1	Keith Lau
Director-Ward 2	Andre' Good
Director-Ward 3	Mike Lorenz
Director-Ward 4	George Catsavis
Director at Large	Tracy Pennartz
Director at Large/Vice Mayor	Kevin Settle
Director at Large	Don Hutchings
District Court Judge	Ben Beland
District Court Judge	Claire Borengasser
District Court Judge	David Saxon

Appointed Officials

City Administrator	Jeff Dingman (Acting)
Deputy City Administrator	Jeff Dingman
Advertising and Promotion	Claude Legris
Airport	John Parker
City Clerk	Sherri Gard
Development/Planning	Wally Bailey
District Court	Rachel Sims
Engineering	Stan Snodgrass
Finance	Jennifer Walker
Fire	Terry Bigler (Acting)
Human Resources	Jeff Dingman (Acting)
Information and Technology	Russell Gibson
Internal Audit	Tracey Shockley
Library	Jennifer Goodson
Parks and Recreation	Doug Reinert
Police	Kevin Lindsey
Sanitation	Doug Reinert (Acting)
Streets and Traffic Control	Greg Riley
Transit	Ken Savage
Utilities	Steve Parke

FINANCIAL SECTION

Independent Auditor's Report

The Honorable Mayor and
Board of Directors
City of Fort Smith, Arkansas
Fort Smith, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Fort Smith, Arkansas as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fort Smith Public Library, a discretely presented component unit of the City, which statements reflect total assets and revenues of \$1,896,794 and \$2,922,789, respectively, and represents 89% and 78% of the aggregate discretely presented governmental activities component units' total assets and revenues at December 31, 2015, and for the year then ended, respectively. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fort Smith Public Library, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Fort Smith, Arkansas as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principle

As discussed in *Note 1* to the financial statements, in 2015 the City implemented the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Error Correction

As discussed in *Note 15* to the financial statements, an adjustment was made to restate beginning 2015 net position to correct misstatements in prior financial statements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary, pension and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund statements listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The Honorable Mayor and
Board of Directors
City of Fort Smith, Arkansas
Page 4

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Handwritten signature of BKD, LLP in black ink.

Fort Smith, Arkansas
September 30, 2016

City of Fort Smith, Arkansas

Management's Discussion and Analysis

December 31, 2015

The following discussion and analysis of the City of Fort Smith's financial performance provides a narrative overview and analysis of its financial activities for the year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found on pages 6-11 of this report.

Financial Highlights

- Primary Government total assets and deferred outflow of resources exceeded total liabilities and deferred inflows of resources at the close of 2015 by \$715.5 million (net position). Of this amount, \$651.5 million was invested in capital assets, net of related debt; \$71.0 million was restricted for debt service, police and fire retirement contributions, construction projects, and other purposes. The component of net position unrestricted and available for meeting the City's emergency and unexpected obligations reported a deficit of \$7.0 million. The City's governmental activities have a deficit in unrestricted net position of \$41.5 million. The City's business-type activities have unrestricted net position of \$34.5 million. The negative unrestricted net position of the governmental activities is due primarily to a \$45.8 million adjustment for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* illustrated in detail with *Note 14*. 2014 financial information contained in this management's discussion and analysis has not been restated for the adoption of GASB 68.
- The City's total net position increased by \$19.3 million in 2015. Net position of the governmental activities increased by \$1.2 million in 2015 compared to a net decrease of \$10.8 million in 2014. The City's net position of the business-type activities increased by \$18.1 million in 2015 compared to a net increase of \$14.7 million in 2014.
- As of the close of 2015, the City's governmental funds reported combined ending fund balances of \$91.3 million, a decrease of \$17.7 million from the prior year. The restricted portion of the fund balances is \$79.6 million. The remaining fund balances are classified as nonspendable of \$0.2 million; assigned of \$3.7 million; and unassigned of \$7.7 million.
- At the end of 2015, the unassigned fund balance for the General Fund was \$7.7 million or 17% of total General Fund expenditures. There was a decrease of \$2.2 million in total General Fund balance between years. This decrease was included in the approved budget for the General Fund in 2015 due to flat revenues and slightly increased expenses as well as a need to fund pension accounts.
- The City's total bonded indebtedness increased by \$11.985 million during the current year. The City issued \$35 million in Water and Sewer Revenue Bonds, Series 2015 in December 2015. This was offset by decreases due to the maturity of outstanding bonds during 2015 and the call of \$4.47 million in Sales and Use Tax bonds during the year.
- The City's governmental component units reported net position of \$0.6 million at December 31, 2015 which was a decrease of \$0.2 million in net position from 2014 and a decrease of \$1.2 million for a change in accounting principle adjustment.
- The City's business-type component units reported net position of \$41.3 million at December 31, 2015 which was a \$2.4 million increase from 2014.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (*e.g.*, uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community service, and debt service. The business-type activities of the City include the water and sewer system and the solid waste disposal system.

The government-wide financial statements include not only the City itself (known as the primary government), but also, the following legally separate entities for which the City is financially accountable:

- Parking Authority
- Fort Smith Public Library
- Advertising and Promotion Commission
- Airport Commission

Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 32-35 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at

the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Maintenance Fund, Sales Tax Fund, Sales and Use Tax Construction Fund, and the Sales and Use Tax Bond Fund that are considered to be major funds. Data from the other six (6) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 36-40 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for its water and sewer system and its solid waste system. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions for fuel and duplicating services, medical, dental and life insurance benefits, and workers' compensation claims. The services provided by the internal service funds predominantly benefit the governmental rather than the business-type functions. They have been allocated between the *governmental activities* and the *business type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Sanitation Fund, both of which are considered to be major funds of the City. The Working Capital, Employee Insurance and Workers' Compensation Funds are the City's internal service funds and are reported in a single aggregated presentation.

The basic proprietary fund financial statements can be found on pages 42-47 of this report.

Fiduciary fund. The City maintains a fiduciary fund for its OPEB plan trust that is held for the purpose of providing future medical claims of retirees that become participants. The plan trust is an irrevocable trust entered into by the City during 2009 for benefit of its participants.

The fiduciary fund financial statements can be found on pages 48-49 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 50-124 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's General Fund budget, the City's Street Maintenance Fund budget and an analysis of funding progress for the City's fire and police pension plans. The City adopts an annual appropriation budget for its General Fund and its Street Maintenance Fund. Budgetary comparison schedules have been provided for the General Fund and the Street Maintenance Fund to demonstrate compliance with the annual budgets. *Required supplementary information* can be found on pages 126-138 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining statements and schedules can be found on pages 141-155 of this report.

Government-Wide Financial Analysis

The 2014 financial statements were not restated for the prior period adjustments to the 2015 beginning net position or for the implementation of the accounting change for the adoption of GASB 68.

City of Fort Smith Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 112,861,503	\$ 131,181,646	\$ 74,764,696	\$ 38,982,300	\$ 187,626,199	\$ 170,163,946
Capital assets	386,573,182	379,375,639	538,248,998	539,924,935	924,822,180	919,300,574
Total assets	499,434,685	510,557,285	613,013,694	578,907,235	1,112,448,379	1,089,464,520
Total deferred outflows of resources	6,573,632	-	203,432	232,494	6,777,064	232,494
Long-term liabilities	179,212,328	135,832,802	196,674,943	169,327,277	375,887,271	305,160,079
Other liabilities	16,610,289	17,761,991	10,967,030	11,689,207	27,577,319	29,451,198
Total liabilities	195,822,617	153,594,793	207,641,973	181,016,484	403,464,590	334,611,277
Total deferred inflows of resources	24,134	-	227,975	214,069	252,109	214,069
Net position:						
Net investment in capital assets	301,292,326	301,383,411	350,202,002	378,186,724	651,494,328	679,570,135
Restricted	50,358,284	46,649,301	20,677,094	19,073,298	71,035,378	65,722,599
Unrestricted	(41,489,044)	8,929,780	34,468,082	649,154	(7,020,962)	9,578,934
Total net position	\$ 310,161,566	\$ 356,962,492	\$ 405,347,178	\$ 397,909,176	\$ 715,508,744	\$ 754,871,668

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$715.5 million at the close of 2015.

The largest portion of the City's net position, \$651.5 million, or 91%, reflects its investment in capital assets (*e.g.* land, buildings, improvements other than buildings, machinery and equipment, and infrastructure), plus unspent bond proceeds, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (9.9%) represents resources that are subject to restrictions as to how they may be used. Of the total \$71.0 million restricted net position, \$34.9 million is restricted for bond retirement, \$29.8 million is restricted for construction projects, \$6.3 million is restricted for police and fire retirement contribution, and a very small amount is restricted for other purposes. The remaining balance of net position is a negative \$7.0 million.

The business-type activities reported positive balances in unrestricted net position at the end of the current year, as was the case in the prior year.

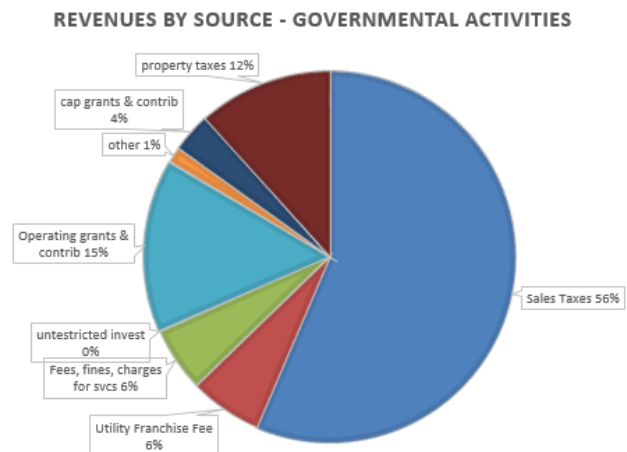
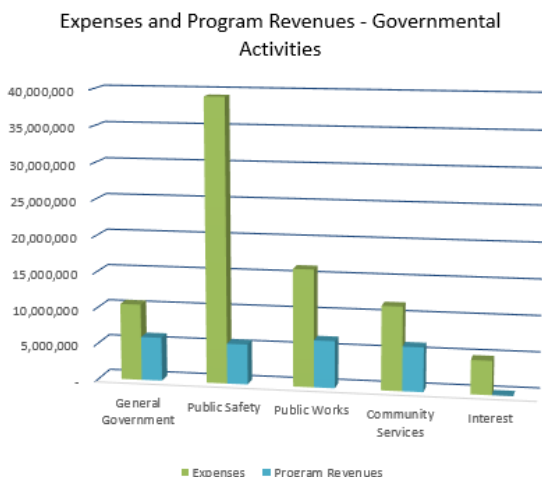
The City's net position increased by \$19.3 million during 2015. Total revenues increased 6.3% between years. Revenues generated by fees, fines, and charges for services increased by 15.6%. This increase is due primarily to a Sewer Rate increase instituted May 2015 resulting in a \$7.7 million increase in Water and Sewer Charges for Services revenue. Sales tax revenue on a government-wide basis increased by 1.8%.

City of Fort Smith Changes in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Fees, fines, and charges for services	\$ 5,605,091	\$ 5,250,480	\$ 57,363,310	\$ 49,209,453	\$ 62,968,401	\$ 54,459,933
Operating grants and contributions	15,087,846	13,925,772	-	-	15,087,846	13,925,772
Capital grants and contributions	3,540,688	3,197,429	-	-	3,540,688	3,197,429
	<u>24,233,625</u>	<u>22,373,681</u>	<u>57,363,310</u>	<u>49,209,453</u>	<u>81,596,935</u>	<u>71,583,134</u>
General revenues						
Property taxes	11,715,689	11,447,651	-	-	11,715,689	11,447,651
Sales taxes	56,850,299	55,823,661	-	-	56,850,299	55,823,661
Utility franchise fees	6,388,844	6,780,156	-	-	6,388,844	6,780,156
Unrestricted investment earnings	152,888	85,627	80,875	87,230	233,763	172,857
Other	<u>1,397,078</u>	<u>2,108,585</u>	<u>138,309</u>	<u>1,070,760</u>	<u>1,535,387</u>	<u>3,179,345</u>
Total revenues	<u>100,738,423</u>	<u>98,619,361</u>	<u>57,582,494</u>	<u>50,367,443</u>	<u>158,320,917</u>	<u>148,986,804</u>
Expenses						
General government	10,540,138	11,782,229	-	-	10,540,138	11,782,229
Public safety	40,059,753	37,468,682	-	-	40,059,753	37,468,682
Public works	16,228,119	16,828,138	-	-	16,228,119	16,828,138
Community services	11,598,167	17,875,559	-	-	11,598,167	17,875,559
Interest on long-term debt	4,702,341	4,948,763	-	-	4,702,341	4,948,763
Water and sewer	-	-	43,775,895	42,807,102	43,775,895	42,807,102
Sanitation	<u>-</u>	<u>-</u>	<u>12,160,733</u>	<u>13,298,931</u>	<u>12,160,733</u>	<u>13,298,931</u>
Total expenses	<u>83,128,518</u>	<u>88,903,371</u>	<u>55,936,628</u>	<u>56,106,033</u>	<u>139,065,146</u>	<u>145,009,404</u>
Change in net position before transfers and capital contributions	17,609,905	9,715,990	1,645,866	(5,738,590)	19,255,771	3,977,400
Transfers	<u>(16,408,142)</u>	<u>(20,487,564)</u>	<u>16,408,142</u>	<u>20,487,564</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	1,201,763	(10,771,574)	18,054,008	14,748,974	19,255,771	3,977,400
Net Position – January 1	<u>356,962,492</u>	<u>367,734,066</u>	<u>397,909,176</u>	<u>383,160,202</u>	<u>754,871,668</u>	<u>750,894,268</u>
Prior period adjustment (Note 15)	(2,198,524)	-	(10,616,006)	-	(12,814,530)	-
Adjustment for adoption of GASB 68 (Note 14)	<u>(45,804,165)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,804,165)</u>	<u>-</u>
Net Position, January 1, as Restated	<u>308,959,803</u>	<u>367,734,066</u>	<u>387,293,170</u>	<u>383,160,202</u>	<u>696,252,973</u>	<u>750,894,268</u>
Net Position – December 31	<u>\$ 310,161,566</u>	<u>\$ 356,962,492</u>	<u>\$ 405,347,178</u>	<u>\$ 397,909,176</u>	<u>\$ 715,508,744</u>	<u>\$ 754,871,668</u>

Governmental Activities. Governmental activities increased the City's net position by \$1.2 million. Key elements of the net increase are as follows:

- Total revenues for 2015 exceeded total expenses by \$17.6 million.
- Net capital asset acquisition exceeded depreciation by \$25.9 million. This was offset by the \$16.5 million capital contribution to the Water and Sewer Fund for wastewater improvements provided by the Sales & Use Tax Construction Fund.
- Sales tax revenue allocated for governmental purposes reflects a 1.8% increase between years. The City's share of the county sales tax, accounted for in the General Fund, increased 2.6% in 2015 over 2014. The City's sales tax that is allocated for street projects and accounted for in the Sales Tax Fund increased 1.4% between 2014 and 2015, as did the city sales tax allocated for redemption of the Sales and Use Tax Bonds, Series 2012 and 2014, and fire and parks operations.
- Utility franchise fee revenues decreased by \$0.4 million or 5.8% during 2015 due to a sharp decline in natural gas usage and fees.

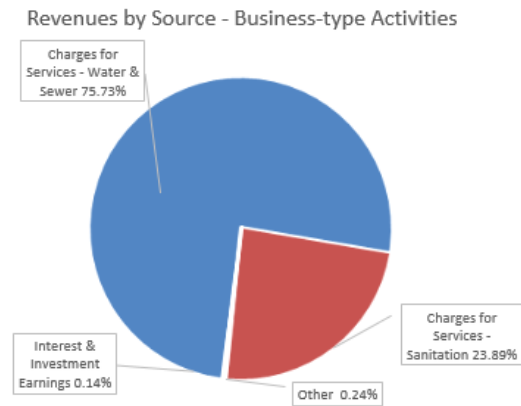
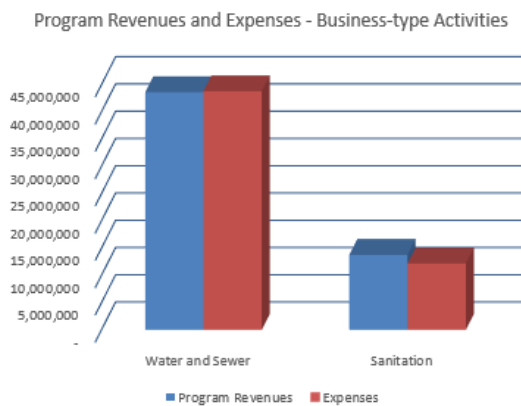
The reported 2015 expenses were approximately \$5.8 million less than in 2014. The decrease resulted from concerted efforts to reduce spending in general government which lead to an overall decrease in spending in Administration, Finance, and Parks departments.



Business-Type Activities. Business-type activities increased the City's net position by \$18.1 million. Key elements of the increase are as follows:

- The water and sewer system contributed \$16.2 million to the increase in total net position. The most significant increase in net position was the \$16.5 million capital contribution from the Sales & Use Tax Construction Fund, a capital projects fund in the governmental activities, for wastewater improvements during the year. The operating income for the system totaled \$7.3 million in 2015.
- The solid waste system added \$1.7 million to the increase in total net position. The operating income for the system in 2015 totaled \$1.6 million.
- Water and sewer system service charges contribute 74% of the operating revenue to business-type activities.
- The solid waste system service charges accounted for 25% of the revenue to business-type activities.

- Current year revenues for business-type activities exceeded operating expenses by \$1.6 million. This is due primarily to the increase in sewer rates. Sanitation operating expenses were also reduced by \$1.1 million due to a concerted effort to reduce spending.



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2015, the City's governmental funds reported combined ending fund balances of \$91.3 million, a decrease of \$17.7 million in comparison with the prior year. Of this amount, \$79.6 million represents restricted fund balance for construction projects, debt service coverage, police and fire retirement contributions, and other purposes. Approximately \$0.2 million of the fund balances is non-spendable. A portion of the fund balance, \$3.7 million, is assigned for specific uses by the City. The remainder of the balance, \$7.7 million, is unassigned in the General Fund and is available for spending at the government's discretion. The decrease in combined ending fund balances is primarily due to a decrease of \$15.0 million in the balance restricted for Construction Projects.

The General Fund is the chief operating fund of the City. At December 31, 2015, unassigned fund balance of the General Fund was \$7.7 million, while the total fund balance was \$9.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balances and total fund balances to total fund expenditures, including transfers out. Unassigned fund balances represent 16.5% of total General Fund expenditures, including transfers out, while total fund balances represents 20.2% of that same amount. There was a decrease of \$2.2 million in total General Fund balance between years. This decrease is explained in the Financial Highlights on page 20.

Key factors during the year are as follows:

- Operating revenues increased \$0.7 million in 2015 as compared to 2014. The most significant increases occurred in sales taxes (\$0.5 million), in contributions for trails grants (\$1.1 million) and in court fines and prisoner fees (\$0.4 million). These increases were offset by decreases in intergovernmental (\$0.9 million) and natural gas franchise fees (\$0.4 million).

- Total expenditures decreased \$0.5 million between 2014 and 2015. The decrease was primarily due to general governmental cuts of \$2.9 million, particularly in administration and finance. These decreases were offset by increases in the police operations (\$0.8 million) and fire operations (\$1.1 million).

The Street Maintenance Fund and the Sales Tax Fund, both special revenue funds, are presented as major funds and account for 35.5% of the total governmental fund balances. Revenues include a one-percent (1%) local sales tax dedicated to streets, bridges and associated drainage, as well as gasoline tax and highway sales tax turnback from the state and federal transportation grants. The increase in fund balances for these two funds was \$2.6 million between years.

The Sales & Use Tax Construction Fund is also presented as a major fund and accounts for 29.4% of the total governmental fund balances. This fund accounts for the capital projects approved by voters that include the new aquatics center; construction of a new fire station, purchase and replacement of fire apparatus, and improvements to existing fire stations; water improvements; and wastewater improvements. The fund balance decreased by \$17.6 million due to expenditures for capital projects during the year including the completion of Parrot Island Waterpark (\$1.4 million), Mill Creek Pump Station improvements (\$6.2 million) and other water and wastewater improvements (\$10 million).

Proprietary funds. The City's proprietary funds provide the same information found in the government-wide financial statements, but with more detail.

Net position at the end of the year amounted to \$374.6 million and \$30.4 million for the Water and Sewer Fund and the Sanitation Fund, respectively. The increase in net position was \$16.2 million for the Water and Sewer Fund and \$1.7 million for the Sanitation Fund. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

General Fund. The final amended General Fund budget had total appropriations of \$51.5 million (total expenditures plus transfers out) compared to the original budget total of \$48.1 million. The increase in appropriations of \$3.4 million is summarized briefly as follows:

- Supplemental appropriations included \$3.6 million for additional capital assets for the parks department capital improvement projects funded by its share of the ¼% sales tax and foundation contributions for trails and greenways projects.
- An additional transfer to the LOPFI fund for police and fire pensions of \$770,000 were appropriated. This transfer was offset by mid-year budget reductions of \$1.0 million across all departments.

Revenue estimates for the General Fund were decreased from an original budget of \$46.0 million (total revenues plus transfers in) to the final estimate of \$45.7 million. The \$0.3 million decrease was due to lower than expected intergovernmental (\$284,000) and fines and forfeitures (\$218,000).

Total actual revenue, including, “other financing sources”, for the General Fund was \$43.6 million or \$2.2 million less than the final budget estimates. The decreased revenues are due primarily to an adjustment of Transfers in from the Street Sales Tax fund of \$2.7 million. This adjustment was offset by higher than expected State Turnback (\$93,000) and higher than expected sales tax revenues (\$325,000). Total actual expenditures were \$1.3 million less than the final appropriated budget of the General Fund. Most departments were consistently lower than budget due to Administrative direction to reduce spending where possible. This was offset by increased actual capital outlay due to a buildup of multi-year project funds within the parks department.

The budget and actual schedule for the General Fund may be found on page 136 in the required supplementary section of this document.

Capital Assets and Debt Administration

Capital assets. The City’s investment in capital assets for governmental and business-type activities as of December 31, 2015 amounts to \$924.8 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, water and sewer systems, improvements other than buildings, machinery and equipment, park and library facilities, streets, and drainage systems. The total increase in the City’s investment in capital assets was 0.6%, a 1.9% increase for governmental activities and a 0.3% decrease for business-type activities.

City of Fort Smith

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 27,129,584	\$ 27,046,523	\$ 13,033,321	\$ 12,966,220	\$ 40,162,905	\$ 40,012,743
Buildings	59,738,379	55,548,646	907,906	973,623	60,646,285	56,522,269
Water System	-	-	273,669,470	285,282,849	273,669,470	285,282,849
Sewer System	-	-	170,113,921	176,757,484	170,113,921	176,757,484
Improvement other than buildings	5,987,473	4,591,845	10,812,331	11,103,776	16,799,804	15,695,621
Infrastructure	252,935,206	252,767,250	-	-	252,935,206	252,767,250
Machinery and equipment	23,054,261	19,290,666	12,715,348	15,098,724	35,769,609	34,389,390
Construction in progress	17,728,279	20,130,709	56,996,701	37,742,259	74,724,980	57,872,968
Total	<u>\$ 386,573,182</u>	<u>\$ 379,375,639</u>	<u>\$ 538,248,998</u>	<u>\$ 539,924,935</u>	<u>\$ 924,822,180</u>	<u>\$ 919,300,574</u>

Major capital asset events during 2015 included the following:

- Net additions to construction in progress totaled \$16.9 million. Of this amount, water and wastewater improvements accounted for an increase of \$19.3 million and the general government and streets decreased by \$2.4 million.
- Net additions to infrastructure totaled \$5.8 million due to the completion of several street projects during 2015.

- Net reductions to the sewer system totaled \$6.6 million and to the water system totaled \$11.6 million in 2015. Two factors contributed to the change in water & sewer capital asset balances. First, completion of construction projects slowed as 2012 and 2014 bonds began to decline. 2015 bonds were not issued until December 2015, creating a lag in construction spending in 2015. The Utilities department used this opportunity to refine long-term planning for capital projects in order to meet the capital needs of the systems. Second, a prior period adjustment was posted to correct depreciation and accumulated calculations. The impact to the water & sewer systems totaled \$7.8 million.
- Depreciation expense totaled \$27.6 million.

Additional information on the City's capital assets can be found in *Note 3* on pages 67-74 of this report.

Long-term debt. At December 31, 2015, the City had \$291.7 million of long-term bonds outstanding, including \$183.5 million of bonds secured solely by specified revenue sources, (*i.e.* revenue bonds).

City of Fort Smith's Outstanding Debt General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
Sales and Use Tax Bonds	\$ 108,145,000	\$ 119,385,000	\$ -	\$ -
Revenue Bonds	-	-	183,530,000	160,305,000
Total	<u>\$ 108,145,000</u>	<u>\$ 119,385,000</u>	<u>\$ 183,530,000</u>	<u>\$ 160,305,000</u>

The City's total bonded debt increased by \$11.985 million or 4% during 2015. The key factor in this increase was the issuance of \$35.0 million in Water and Sewer Refunding and Construction Revenue Bonds, Series 2015 during December 2015. This increase was offset by scheduled bond maturities during 2015 as well as the call of \$4.47 million in bonds during 2015. The City maintains bond ratings as follows: an "A" rating from Standard & Poor's on its water and sewer revenue bonds series 2007, 2008, 2011, 2012 and 2015; and an "AA" rating from Standard & Poor's on its sales and use tax bonds series 2012 and 2014.

State statutes limit the amount of general obligation bonds a government entity may issue to 25% of its total assessed valuation. The current debt limitation for the City is \$342.3 million. The City has no general obligation debt at December 31, 2015. Sales and use tax bonds are special debt of the City and are not considered general obligation bonds.

Additional information regarding the City's long-term debt can be found in *Note 4* on pages 75-87 of this report.

Economic Factors and the Next Year's Budget and Rates

- The year-end unemployment rate for the City was 5.4%, which was lower than the 5.5% rate for 2014. The state unemployment rate for 2015 was 5.6% and the national was 5.4%. The City is slowly recovering from a down economy over the past several years.
- The City expects a flat tax revenue for the coming year with a 0% increase.

These factors were considered when the City prepared its 2016 Budget.

The Board of Directors had two main goals going into the 2016 budget year - maintain a 15% fund balance and contribute additional funds to the LOPFI fund for fire and police pension plans. The City's General Fund budget for 2016 was approved at \$46.3 million and includes a projected year-end fund balance approximating 12.4% of operating expenditures. While this budget did not achieve the 15% goal, it did achieve a structurally balanced budget with \$700,000 more in revenues than expenditures. Continued efforts are being made to control spending and reduce costs where appropriate.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance's Office, Suite 512, 623 Garrison Avenue, Fort Smith, Arkansas 72901.

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City of Fort Smith, Arkansas
Statement of Net Position
December 31, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
Assets					
Cash	\$ 2,113,655	\$ 2,174,423	\$ 4,288,078	\$ 590,728	\$ 709,433
Investments	46,278,450	25,175,385	71,453,835	476,967	1,435,044
Receivables, net					
Taxes	13,512,677	-	13,512,677	53,431	-
Sales taxes	3,489,297	-	3,489,297	160,576	-
Accounts	701,945	7,787,921	8,489,866	77,571	131,972
Interest	-	-	-	-	5,301
Due from other governments	1,244,263	-	1,244,263	-	753,724
Internal balances	145,029	(145,029)	-	-	-
Inventories	-	1,096,478	1,096,478	-	47,906
Prepays and deposits	289,158	25,833	314,991	55,000	65,712
Restricted assets					
Cash	228,121	392,504	620,625	-	274,204
Investments	43,440,346	37,889,549	81,329,895	-	896,658
Accounts receivable, net	-	212,584	212,584	-	-
Sales tax receivable	1,290,507	-	1,290,507	-	-
Interest receivable	128,054	-	128,054	-	-
Prepaid items and deposits	-	155,049	155,049	-	-
Capital assets, net					
Nondepreciable	44,857,863	70,030,022	114,887,885	427,132	7,863,289
Depreciable	341,715,319	468,218,976	809,934,295	286,218	31,687,549
 Total Assets	 499,434,685	 613,013,694	 1,112,448,379	 2,127,623	 43,870,792
Deferred Outflows of Resources					
Deferred amounts on refunding	-	203,432	203,432	-	124,358
Deferred outflows-pension	541,589	-	541,589	288,395	-
Deferred outflows-pension contributions	6,032,043	-	6,032,043	95,945	-
 Total deferred outflows of resources	 6,573,632	 203,432	 6,777,064	 384,340	 124,358

City of Fort Smith, Arkansas
Statement of Net Position (Continued)
December 31, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
Liabilities					
Accounts payable and accrued expenses	\$ 7,089,154	\$ 2,131,357	\$ 9,220,511	\$ 75,123	\$ 199,275
Other	198,357	2,675	201,032	-	-
Accrued interest	699,518	1,830,543	2,530,061	-	-
Deposits	-	542,758	542,758	-	-
Unearned revenue	94,665	-	94,665	-	-
Noncurrent liabilities					
Other long-term liabilities					
due within one year	1,563,595	729,697	2,293,292	-	5
Current portion of long-term debt	6,965,000	5,730,000	12,695,000	-	190,000
Due in more than one year	179,212,328	196,674,943	375,887,271	1,392,236	2,305,512
Total liabilities	195,822,617	207,641,973	403,464,590	1,467,359	2,694,792
Deferred Inflows of Resources					
Deferred amounts on refunding	-	227,975	227,975	-	-
Deferred inflows-pension	24,134	-	24,134	439,361	-
Total deferred inflows of resources	24,134	227,975	252,109	439,361	-
Net Position					
Net investment in capital assets	301,292,326	350,202,002	651,494,328	713,350	37,026,596
Restricted for:					
Construction projects	28,248,722	1,525,471	29,774,193	-	57,202
Debt service	15,794,757	19,151,623	34,946,380	-	382,316
Parks & recreation	9,947	-	9,947	-	-
Housing and rehabilitation	3,631	-	3,631	-	-
Police & fire retirement contributions	6,301,227	-	6,301,227	-	-
Other purposes	-	-	-	207,207	-
Unrestricted	(41,489,044)	34,468,082	(7,020,962)	(315,314)	3,834,244
Total net position	\$ 310,161,566	\$ 405,347,178	\$ 715,508,744	\$ 605,243	\$ 41,300,358

City of Fort Smith, Arkansas
Statement of Activities
For the Year Ended December 31, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Governmental Activities	Business-Type Activities
					Governmental Activities	Business-Type Activities	Total		
Primary Government:									
Governmental Activities									
General Government									
Administration	\$ 5,892,590	\$ 756,820	\$ 1,519,881	\$ -	\$ (3,615,889)		\$ (3,615,889)		
Legal and courts	2,299,122	2,538,249	509,835	-	748,962		748,962		
Finance	2,348,426	689,464	-	-	(1,658,962)		(1,658,962)		
Public safety									
Police	21,610,764	91,635	3,473,614	46,250	(17,999,265)		(17,999,265)		
Fire	18,448,989	75,106	1,730,796	143,521	(16,499,566)		(16,499,566)		
Public works									
Operations	493,062	-	-	-	(493,062)		(493,062)		
Streets	13,241,788	254,686	4,102,613	2,158,556	(6,725,933)		(6,725,933)		
Traffic Control	2,493,268	-	-	-	(2,493,268)		(2,493,268)		
Community services									
Health and Social Services	125,137	-	-	-	(125,137)		(125,137)		
Parks and Recreation	3,848,170	270,637	-	656,575	(2,920,958)		(2,920,958)		
Convention Center	2,158,297	725,491	-	-	(1,432,806)		(1,432,806)		
Transit	2,567,704	203,003	881,646	535,786	(947,269)		(947,269)		
Housing and Rehabilitation	2,898,859	-	2,869,461	-	(29,398)		(29,398)		
Debt service									
Interest	4,702,341	-	-	-	(4,702,341)		(4,702,341)		
Total Governmental Activities	83,128,518	5,605,091	15,087,846	3,540,688	(58,894,893)		(58,894,893)		
Business-Type Activities:									
Water and Sewer	43,775,895	43,606,954	-	-	-	\$ (168,941)	(168,941)		
Sanitation	12,160,733	13,756,356	-	-	-	1,595,623	1,595,623		
Total Business-Type Activities	55,936,628	57,363,310	-	-	-	1,426,682	1,426,682		
Total Primary Government	\$ 139,065,146	\$ 62,968,401	\$ 15,087,846	\$ 3,540,688	\$ (58,894,893)	\$ 1,426,682	\$ (57,468,211)		
Component Units:									
Governmental									
Advertising & Promotion	\$ 791,679	\$ -	\$ 3,960	\$ -				\$ (787,719)	
Public Library	3,169,957	184,202	153,007	-				(2,832,748)	
Subtotal	3,961,636	184,202	156,967	-				(3,620,467)	
Business-Type									
Parking Authority	364,935	186,353	-	-					\$ (178,582)
Airport	4,936,659	2,710,240	-	4,788,634					2,562,215
Subtotal	5,301,594	2,896,593	-	4,788,634					2,383,633
Total Component Units	\$ 9,263,230	\$ 3,080,795	\$ 156,967	\$ 4,788,634				(3,620,467)	2,383,633

See accompanying notes to basic financial statements.

City of Fort Smith, Arkansas
Statement of Activities (Continued)
For the Year Ended December 31, 2015

	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
General revenues					
Property taxes	\$ 11,715,689	\$ -	\$ 11,715,689	\$ 1,385,441	\$ -
Sales taxes	56,850,299	-	56,850,299	965,455	-
Gross receipts utility franchise fees	6,388,844	-	6,388,844	-	-
Hospitality taxes	-	-	-	800,086	-
Unrestricted investment earnings	152,888	80,875	233,763	1,434	13,442
Other	1,397,078	138,309	1,535,387	233,736	-
Transfers	(16,408,142)	16,408,142	-	-	-
Total general revenues and transfers	60,096,656	16,627,326	76,723,982	3,386,152	13,442
Change in net position	1,201,763	18,054,008	19,255,771	(234,315)	2,397,075
Net position, beginning of year	356,962,492	397,909,176	754,871,668	2,061,985	38,903,283
Prior period adjustment (<i>Note 15</i>)	(2,198,524)	(10,616,006)	(12,814,530)	-	-
Adoption of GASB 68 (<i>Note 14</i>)	(45,804,165)	-	(45,804,165)	(1,222,427)	-
Net position, beginning of year, as restated	308,959,803	387,293,170	696,252,973	839,558	38,903,283
Net position, end of year	\$ 310,161,566	\$ 405,347,178	\$ 715,508,744	\$ 605,243	\$ 41,300,358

City of Fort Smith, Arkansas

Balance Sheet – Governmental Funds

December 31, 2015

	General	Street Maintenance	Sales Tax	Sales & Use Tax Construction	Sales & Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Assets							
Cash	\$ 53,763	\$ 270,263	\$ 220,901	\$ -	\$ -	\$ 821,026	\$ 1,365,953
Investments	7,300,302	1,426,068	30,037,171	-	-	6,067,568	44,831,109
Receivables, net of allowance for uncollectibles							
Taxes	8,564,423	2,130,572	-	-	-	2,817,682	13,512,677
Sales taxes	1,768,621	-	1,720,676	-	-	-	3,489,297
Accounts	624,769	-	-	-	-	52,394	677,163
Due from other funds	2,295	-	-	-	-	-	2,295
Due from other governments	508,489	458,597	40,809	-	-	236,368	1,244,263
Restricted assets:							
Cash	-	-	-	-	228,121	-	228,121
Investments	-	-	-	29,226,336	14,214,010	-	43,440,346
Sales taxes receivable	-	-	-	-	1,290,507	-	1,290,507
Interest receivable	-	-	-	65,935	62,119	-	128,054
Prepaid items	45,940	-	-	-	-	400	46,340
Deposits	10,498	-	136,995	41,916	-	-	189,409
Total Assets	\$ 18,879,100	\$ 4,285,500	\$ 32,156,552	\$ 29,334,187	\$ 15,794,757	\$ 9,995,438	\$ 110,445,534
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 2,046,718	\$ 379,477	\$ 1,072,568	\$ 1,775,751	\$ -	303,525	\$ 5,578,039
Retainage payable	86,186	-	432,938	763,858	-	-	1,282,982
Due to other funds	-	-	-	-	-	2,388	2,388
Unearned revenue	-	-	-	-	-	94,665	94,665
Other	195,665	-	-	-	-	2,692	198,357
Total Liabilities	2,328,569	379,477	1,505,506	2,539,609	-	403,270	7,156,431
Deferred Inflows of Resources							
Unavailable property taxes	7,080,100	2,126,200	-	-	-	2,811,853	12,018,153
Total deferred inflows of resources	7,080,100	2,126,200	-	-	-	2,811,853	12,018,153
Fund Balances:							
Nonspendable	56,438	-	136,995	41,916	-	400	235,749
Restricted for:							
Construction projects	-	106,691	30,514,051	26,752,662	-	101,654	57,475,058
Debt service	-	-	-	-	15,794,757	-	15,794,757
Parks & recreation	-	-	-	-	-	9,947	9,947
Housing and rehabilitation	-	-	-	-	-	3,631	3,631
Police & fire retirement contributions	-	-	-	-	-	6,301,227	6,301,227
Assigned to:							
Convention center	-	-	-	-	-	363,456	363,456
Construction projects	1,556,871	-	-	-	-	-	1,556,871
Other purposes	144,841	1,673,132	-	-	-	-	1,817,973
Unassigned	7,712,281	-	-	-	-	-	7,712,281
Total Fund Balances	9,470,431	1,779,823	30,651,046	26,794,578	15,794,757	6,780,315	91,270,950
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 18,879,100	\$ 4,285,500	\$ 32,156,552	\$ 29,334,187	\$ 15,794,757	\$ 9,995,438	\$ 110,445,534

City of Fort Smith, Arkansas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2015

Total fund balances – governmental funds \$ 91,270,950

Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 27,129,584	
Buildings	85,051,166	
Improvements other than buildings	15,564,775	
Machinery and equipment	51,522,832	
Infrastructure	365,419,171	
Accumulated depreciation	<u>(175,842,625)</u>	
	368,844,903	
Construction in progress	<u>17,728,279</u>	
 Total	 <u><u>\$ 386,573,182</u></u>	 386,573,182

Some revenues in the governmental funds are deferred because they are
not collected within the prescribed time period after year end and are not
considered available. On the accrual basis, however, those revenues would
be recognized regardless of when they are collected. 12,018,153

Deferred inflows and outflows related to pensions are not due and payable
in the current period and, therefore, are not reported in the funds. 6,549,498

Internal service funds are used by management to charge the costs of
certain activities, such as fuel and insurance, to individual funds. A portion
of the assets and liabilities are included in governmental activities in the
statement of net position. 937,540

Some long-term liabilities are not due and payable in the current period and,
therefore, are not reported in the funds. Those liabilities consist of:

Compensated absences	\$ 2,417,331	
Claims payable	82,500	
Sales tax bonds payable, net	113,634,511	
Interest payable	699,518	
Capital leases payable	173,163	
Net pension liabilities	52,541,458	
OPEB liabilities	<u>17,639,276</u>	
	<u><u>\$ 187,187,757</u></u>	<u>(187,187,757)</u>

Net position of governmental activities \$ 310,161,566

City of Fort Smith, Arkansas

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Year Ended December 31, 2015

	General	Street Maintenance	Sales Tax	Sales & Use Tax Construction	Sales & Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 6,885,174	\$ 2,038,141	\$ -	\$ -	\$ -	\$ 2,718,277	\$ 11,641,592
Sales taxes	21,185,214	-	20,380,151	-	15,284,934	-	56,850,299
Licenses and permits	1,446,284	163,270	-	-	-	-	1,609,554
Utility franchise fees	6,388,844	-	-	-	-	-	6,388,844
Intergovernmental	4,165,519	5,786,833	361,599	-	-	4,795,594	15,109,545
Fines and forfeitures	2,368,501	-	-	-	-	139,638	2,508,139
Fees for services	591,672	-	-	-	-	725,491	1,317,163
Interest	21,303	3,415	91,416	111,307	78,988	17,128	323,557
Decrease in fair value of investments	-	-	-	(43,624)	(17,797)	-	(61,421)
Contributions	1,068,355	-	429,475	-	-	2,021,159	3,518,989
Miscellaneous	234,189	39,299	8,269	20,249	-	1,589	303,595
Total Revenues	44,355,055	8,030,958	21,270,910	87,932	15,346,125	10,418,876	99,509,856
Expenditures							
Current:							
General government							
Administration	1,965,962	207,021	1,765,899	-	-	-	3,938,882
Legal and courts	1,956,247	83,240	132,835	-	-	-	2,172,322
Finance	1,094,212	341,801	799,266	-	-	-	2,235,279
Public safety							
Police	15,876,483	-	-	-	-	3,449,913	19,326,396
Fire	12,592,775	-	-	-	-	4,226,171	16,818,946
Public works							
Operations	-	474,825	-	-	-	-	474,825
Streets	-	3,887,507	-	-	-	242,572	4,130,079
Traffic Control	-	2,040,635	-	-	-	-	2,040,635
Community services							
Health and Social Services	116,395	-	-	-	-	-	116,395
Parks and Recreation	2,305,755	228,911	-	-	-	7,872	2,542,538
Convention Center	-	-	-	-	-	1,413,571	1,413,571
Transit	2,149,328	-	-	-	-	-	2,149,328
Housing and Rehabilitation	-	-	-	-	-	2,869,461	2,869,461
Other	1,573,070	-	-	164,509	22,800	-	1,760,379
Capital Outlay	5,539,074	596,781	16,075,366	17,543,632	-	33,919	39,788,772
Debt Service:							
Principal	-	-	-	-	11,240,000	-	11,240,000
Interest	-	-	-	-	4,247,774	-	4,247,774
Total Expenditures	45,169,301	7,860,721	18,773,366	17,708,141	15,510,574	12,243,479	117,265,582
Excess (deficiency) in revenues over (under) expenditures	(814,246)	170,237	2,497,544	(17,620,209)	(164,449)	(1,824,603)	(17,755,726)

See accompanying notes to basic financial statements.

City of Fort Smith, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Continued)
For the Year Ended December 31, 2015

	General	Street Maintenance	Sales Tax	Sales & Use Tax Construction	Sales & Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)							
Transfers in	\$ 286,298	\$ -	\$ -	\$ -	\$ -	\$ 1,547,473	\$ 1,833,771
Transfers out	(1,678,673)	(96,575)	-	-	-	-	(1,775,248)
Total Other Financing Sources and Uses	(1,392,375)	(96,575)	-	-	-	1,547,473	58,523
Net Change in Fund Balances	(2,206,621)	73,662	2,497,544	(17,620,209)	(164,449)	(277,130)	(17,697,203)
Fund Balances, January 1	11,677,052	1,706,161	28,153,502	44,414,787	15,959,206	7,057,445	108,968,153
Fund Balances, December 31	\$ 9,470,431	\$ 1,779,823	\$ 30,651,046	\$ 26,794,578	\$ 15,794,757	\$ 6,780,315	\$ 91,270,950

See accompanying notes to basic financial statements.

City of Fort Smith, Arkansas
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2015

Net change in fund balances – total governmental funds \$(17,697,203)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the government-wide statement of activities and changes in net position,
the cost of those assets is allocated over their estimated useful lives as
depreciation expense. This is the amount of capital assets recorded
in the current period. 39,788,772

Capital contributions to the Water and Sewer Fund are recognized as transfers
out on the government-wide statement of activities (16,519,472)

Depreciation expense on capital assets is reported in the government-
wide statement of activities and changes in net position, but they do not
require the use of current financial resources. Therefore, depreciation
expense is not reported as an expenditure in governmental funds. (13,841,410)

The issuance of long-term debt provides current financial resources
to governmental funds, while the repayment of debt consumes current
financial resources of governmental funds. This transaction does not
have any effect on net position. This amount is the net effect of these
differences in the treatment of long-term debt and related items. 11,240,000

Some property taxes will not be collected for several months after the
City's fiscal year end and they are not considered "available" revenues
in the governmental funds. 74,097

Some expenses, *i.e.* , the change in compensated absences liability, interest,
net pension and OPEB liabilities, reported in the statement of activities and
changes in net position do not require the use of current financial resources, and,
therefore, are not reported as expenditures in the governmental funds. (3,437,578)

Internal service funds are used by management to charge the costs of
certain activities, such as insurance and fuel, to individual funds. The net
loss of the internal service funds is reported with governmental activities 1,594,557

Change in net position of governmental activities \$ 1,201,763

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City of Fort Smith, Arkansas
Statement of Fund Net Position –
Proprietary Funds
December 31, 2015

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Sanitation	Total	
Current Assets				
Cash	\$ 1,110,599	\$ 612,581	\$ 1,723,180	\$ 1,198,945
Investments	10,779,408	13,676,557	24,455,965	2,166,761
Receivables				
Accounts, net of uncollectibles of \$126,924; \$33,589 and \$-0-	6,458,155	1,317,778	7,775,933	36,769
Restricted				
Cash	392,504	-	392,504	
Investments	37,889,549	-	37,889,549	-
Accounts receivable, net of uncollectibles of \$588,905	-	212,584	212,584	-
Inventories	945,394	122,352	1,067,746	28,732
Prepaid items	-	-	-	79,242
Due from other funds	-	-	-	93
Total Current Assets	57,575,609	15,941,852	73,517,461	3,510,542
Noncurrent Assets				
Restricted				
Prepaid items and deposits	155,049	-	155,049	-
Capital assets				
Land	12,659,549	373,772	13,033,321	-
Buildings	-	1,999,645	1,999,645	-
Improvements other than buildings	-	21,207,572	21,207,572	-
Leasehold improvements	-	709,952	709,952	-
Machinery and equipment	13,534,754	24,776,585	38,311,339	-
Water system	384,559,504	-	384,559,504	-
Sewer system	252,035,587	-	252,035,587	-
Construction in progress	53,237,486	3,759,215	56,996,701	-
Less accumulated depreciation	(200,512,251)	(30,092,372)	(230,604,623)	-
Total Noncurrent Assets	515,669,678	22,734,369	538,404,047	-
Total Assets	573,245,287	38,676,221	611,921,508	3,510,542
Deferred outflows of resources				
Deferred amount on refunding	203,432	-	203,432	-
Total deferred outflows of resources	203,432	-	203,432	-

City of Fort Smith, Arkansas
Statement of Fund Net Position –
Proprietary Funds (Continued)
December 31, 2015

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Sanitation	Total	
Current liabilities				
Accounts payable and accrued liabilities	\$ 1,279,717	\$ 714,968	\$ 1,994,685	\$ 238,749
Retainage payable	43,555	-	43,555	-
Accrued vacation and sick leave	54,553	11,499	66,052	-
Accrued interest	1,830,543	-	1,830,543	-
Claims and judgments	-	-	-	1,998,829
Revenue bonds payable	5,730,000	-	5,730,000	-
Deposits	542,758	-	542,758	-
Other	2,675	-	2,675	-
Total Current Liabilities	9,483,801	726,467	10,210,268	2,237,578
Noncurrent liabilities				
Accrued vacation and sick leave	865,390	182,420	1,047,810	-
Landfill closure and postclosure care	-	4,796,961	4,796,961	-
Revenue bonds, net	182,298,416	-	182,298,416	-
OPEB liabilities	5,966,995	2,564,761	8,531,756	-
Total Noncurrent Liabilities	189,130,801	7,544,142	196,674,943	-
Total Liabilities	198,614,602	8,270,609	206,885,211	2,237,578
Deferred inflows of resources				
Deferred amount on refunding	227,975	-	227,975	-
Total deferred inflows of resources	227,975	-	227,975	-
Net Position				
Net investment in capital assets	327,467,633	22,734,369	350,202,002	-
Restricted for bond retirement	19,151,623	-	19,151,623	-
Restricted for asset replacement	1,400,000	125,471	1,525,471	-
Unrestricted	26,586,886	7,545,772	34,132,658	1,272,964
Total Net Position	\$ 374,606,142	\$ 30,405,612	405,011,754	\$ 1,272,964
Reconciliation to government - wide statement of net position:				
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds			335,424	
Net position of business type activities			<u>\$ 405,347,178</u>	

City of Fort Smith, Arkansas
Statement of Revenues, Expenses and Changes in
Fund Net Position – Proprietary Funds
For the Year Ended December 31, 2015

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Sanitation	Total	
Operating Revenues				
Water service	\$ 25,897,687	\$ -	\$ 25,897,687	\$ -
Sewer service	16,742,182	-	16,742,182	-
Other charges for services	885,157	13,354,343	14,239,500	11,476,443
Other	81,928	402,013	483,941	-
Total Operating Revenues	43,606,954	13,756,356	57,363,310	11,476,443
Operating Expenses				
Personnel services	14,226,766	6,004,746	20,231,512	-
Contractual services	3,210,502	1,540,989	4,751,491	557,110
Materials and supplies	4,854,532	3,191,595	8,046,127	693,547
Heat, light, and power	1,887,974	109,624	1,997,598	-
Depreciation	12,112,035	1,300,073	13,412,108	-
Insurance claims and expenses	-	-	-	9,391,964
Total Operating Expenses	36,291,809	12,147,027	48,438,836	10,642,621
Operating Income	7,315,145	1,609,329	8,924,474	833,822
Nonoperating Revenues (Expenses)				
Interest revenue	39,569	41,306	80,875	8,833
Interest expense and fiscal charges	(7,516,487)	-	(7,516,487)	-
Other nonoperating revenues (expenses), net	(54,277)	29,744	(24,533)	-
Net Nonoperating Revenues (Expenses)	(7,531,195)	71,050	(7,460,145)	8,833
Income (Loss) Before Contributions and Transfers	(216,050)	1,680,379	1,464,329	842,655
Capital contributions	16,519,472	-	16,519,472	-
Transfers in	-	81,200	81,200	52,807
Transfers out	(101,920)	(90,610)	(192,530)	-
Change in Net Position	16,201,502	1,670,969	17,872,471	895,462
Net position, beginning of year	366,244,017	31,511,272		377,502
Prior period adjustment (Note 15)	(7,839,377)	(2,776,629)		-
Net position, beginning of year, as restated	358,404,640	28,734,643		377,502
Net position, ending	\$ 374,606,142	\$ 30,405,612		\$ 1,272,964
Reconciliation to government - wide statement of activities:				
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds			181,537	
Change in net position of business type activities for government - wide statement of activities			\$ 18,054,008	

See accompanying notes to basic financial statements.

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City of Fort Smith, Arkansas
Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2015

	Enterprise Funds			Internal Service
	Water and Sewer	Sanitation	Total	Funds
Operating Activities				
Cash received from customers	\$ 43,466,178	\$ 13,470,046	\$ 56,936,224	\$ -
Cash received from service users	-	-	-	1,182,639
Cash received from city and employee contributions	-	-	-	10,333,802
Cash payments for goods and services	(12,194,819)	(5,056,923)	(17,251,742)	(691,816)
Cash paid to employees	(13,082,950)	(5,700,982)	(18,783,932)	-
Cash payments for premiums and other operating expenses	-	-	-	(551,660)
Cash payments for claims paid	-	-	-	(9,935,581)
Cash received from other operating revenues	81,928	402,013	483,941	-
Net cash provided by operating activities	18,270,337	3,114,154	21,384,491	337,384
Noncapital Financing Activities				
Transfers in from other funds	-	81,200	81,200	52,807
Transfers out to other funds	(101,920)	(90,610)	(192,530)	-
Net cash used in noncapital financing activities	(101,920)	(9,410)	(111,330)	52,807
Capital and Related Financing Activities				
Proceeds from sale of capital assets	72,863	29,744	102,607	-
Acquisition and construction of capital assets	(4,506,332)	(1,326,373)	(5,832,705)	-
Proceeds from the issuance of bonds	35,000,000	-	35,000,000	-
Principal paid on bonds	(11,829,271)	(300,920)	(12,130,191)	-
Interest paid on bonds	(5,471,228)	-	(5,471,228)	-
Net cash provided by (used in) capital and related financing activities	13,266,032	(1,597,549)	11,668,483	-
Investing Activities				
Proceeds from sales and maturities of investment securities	115,563,266	2,599,282	118,162,548	1,071,523
Outlays for purchases of investment securities	(145,875,452)	(4,408,189)	(150,283,641)	(1,633,154)
Interest on investments	42,685	43,991	86,676	9,442
Net cash used in investing activities	(30,269,501)	(1,764,916)	(32,034,417)	(552,189)
Net Increase (Decrease) in Cash	1,164,948	(257,721)	907,227	(161,998)
Cash, January 1	338,155	870,302	1,208,457	1,360,943
Cash, December 31	\$ 1,503,103	\$ 612,581	\$ 2,115,684	\$ 1,198,945

See accompanying notes to basic financial statements.

City of Fort Smith, Arkansas
Statement of Cash Flows – Proprietary Funds (Continued)
For the Year Ended December 31, 2015

	Enterprise Funds			Internal Service
	Water and Sewer	Sanitation	Total	Funds
Reconciliation of cash and restricted cash at December 31 to statement of net position				
Cash	\$ 1,110,599	\$ 612,581	\$ 1,723,180	\$ 1,198,945
Restricted cash	392,504	-	392,504	-
Total	<u>\$ 1,503,103</u>	<u>\$ 612,581</u>	<u>\$ 2,115,684</u>	<u>\$ 1,198,945</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	<u>\$ 7,315,145</u>	<u>\$ 1,609,329</u>	<u>\$ 8,924,474</u>	<u>\$ 833,822</u>
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	12,112,035	1,300,073	13,412,108	-
Change in assets and liabilities				
Accounts receivable	(2,348,302)	(248,030)	(2,596,332)	(10,323)
Due from other funds	-	-	-	50,321
Inventory	(68,643)	(81,663)	(150,306)	(4,642)
Prepaid items	22,396	127	22,523	(63,775)
Accounts payable and accrued liabilities	62,067	9,831	71,898	65,972
Deposits	9,668	-	9,668	-
Liability for claims and judgments	-	-	-	(533,991)
OPEB liabilities	1,165,844	327,121	1,492,965	-
Other liabilities	127	197,366	197,493	-
Total adjustments	<u>10,955,192</u>	<u>1,504,825</u>	<u>12,460,017</u>	<u>(496,438)</u>
Net cash provided by operating activities	<u>\$ 18,270,337</u>	<u>\$ 3,114,154</u>	<u>\$ 21,384,491</u>	<u>\$ 337,384</u>

Noncash investing, capital and financing activities:

Enterprise funds:

The Water and Sewer Fund received contributions of capital assets of \$19,526,798 for 2015.

City of Fort Smith, Arkansas
Statement of Fiduciary Net Position
OPEB Trust Fund
December 31, 2015

Assets

Current Assets

Investments:

Government money market funds	\$ 405,050
Equities - agency bonds	181,040
US government bonds	743,005
Certificates of deposit	150,055
Total Investments	<u>1,479,150</u>

Total Current Assets	<u>1,479,150</u>
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Total Assets	<u><u>1,479,150</u></u>
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Liabilities

Current Liabilities

Accounts payable	<u>3,735</u>
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Total Current Liabilities	<u>3,735</u>
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Total Liabilities	<u>3,735</u>
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Net Position

Held in trust for OPEB	<u>1,475,415</u>
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Total Net Position	<u><u>\$ 1,475,415</u></u>
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City of Fort Smith, Arkansas
Statement of Changes in Fiduciary Net Position
OPEB Trust Fund
For the Year Ended December 31, 2015

Additions:

Investment Earnings	
Investment expense	\$ (5,654)
Net increase in fair value of investments	12,420
Total additions	<u>6,766</u>

Deductions:

Investment expenses:	
Management fees	<u>14,882</u>
Change in Net Position	(8,116)

Net position, beginning	<u>1,483,531</u>
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Net position, ending	<u><u>\$ 1,475,415</u></u>
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City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The City of Fort Smith, Arkansas (the “City”) is a municipal corporation operating under the authority of Arkansas state statute. The City operates under a city administrator form of government. Seven elected directors and the Mayor set policy. The directors employ the City Administrator. The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body accepted in the United States for establishing governmental accounting and financial reporting principles.

Adoption of Accounting Principles

GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27

Effective January 1, 2015, the City implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers that are administered through trusts or equivalent arrangements. GASB 68 amends GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*.

GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68

Effective January 1, 2015, the City implemented GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. This statement is to address an issue regarding application of the transition provisions of Statement 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The provisions of GASB 71 are required to be applied simultaneously with the provisions of GASB Statement 68.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Reporting Entity

The City is a municipality governed by an elected mayor and a seven-member board of directors (Board). As required by GAAP, these financial statements present the City (Primary Government) and its component units. The component units are legally separate from the City, but are included in the City's reporting entity because of the significance of their operational or financial relationships with the City based upon the criteria of GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Determining whether Certain Organizations Are Component Units*, as amended by GASB Statement 61, *The Financial Reporting Entity: Omnibus*. Generally, GASB Statements 14, 39 and 61 require entities for which the City appoints a voting majority of the board and the entity imposes a financial benefit or burden to be included in the City's financial reporting entity. Additionally, those entities that the nature and significance of their relationship with the City is such that exclusion from the City's financial reporting entity would render the City's financial statements incomplete or misleading, should also be included in the City's reporting entity.

Those entities that meet the above established criteria for inclusion, and that meet either of the following criteria (1) provide services entirely or almost entirely for the City, or (2) whose board is substantially the same as the City's board, are required to be included as part of the primary government's financial statements through "blended" presentation. Those entities that meet the above established criteria for inclusion, but do not either (1) provide services entirely or almost entirely for the City, or (2) have the same or substantially the same board as the City, are required to be presented "discretely" or in a separate column as part of the City's reporting entity, but not part of the primary government. Entities for which the City is accountable because it appoints a voting majority of the Board but is not financially accountable, are related organizations and would be disclosed in these notes.

All entities that are not included as "Blended Component Units" or "Discretely Presented Component Units" on the following page are excluded from the City's financial reporting entity

Discretely Presented Component Units

Business-Type

Fort Smith Parking Authority (the Authority) - The Authority's governing board is appointed by the City's Board; the operation and administration of the Authority's property is conducted by City personnel; and the legal liability for the Authority's revenue bond obligation remains with the City. In addition, the City provides a subsidy to fund the Authority's operations; however, the Authority functions almost entirely for the benefit of residents and other customers. The Authority is a special purpose government engaged solely in business-type activities and is discretely presented in the City's basic financial statements. Separate financial statements are not prepared for the Authority. See *Note 13* on pages 121-122 of these notes for condensed financial statements.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Airport Commission - The Airport Commission manages the Fort Smith Regional Airport and consists of seven members as appointed by the Mayor and confirmed by the Board. Debt is issued in the name of the City and the tax rate on aviation fuel must be approved by the Board. The Airport Commission is a special purpose government engaged solely in business-type activities and is discretely presented in the City's basic financial statements. Financial statements of the Airport Commission can be obtained from the Airport's administrative office located at 6700 McKennon Boulevard, Suite 200, Fort Smith, Arkansas 72903, or from the City Clerk's office. See *Note 13* on pages 121-122 of these notes for condensed financial statements.

Governmental

Advertising and Promotion Commission (the Commission) - The Commission was established during 1989 to promote the City and increase tourism. The Commission is governed by seven members appointed by the Board. The Mayor and one board member serve as two of the seven members of the Commission. The City levies taxes for the Commission's revenue, performs administrative services for collection of taxes, and provides financial services to the Commission. However, the Commission functions for the benefit of the citizens and visitors to the City. The Commission is a special purpose government engaged in governmental activities and is discretely presented in the City's basic financial statements. Separate financial statements are not prepared for the Commission. See *Note 13* on pages 121-122 of these notes for condensed financial statements.

Public Library - The board of trustees for the Fort Smith Public Library manages the Public Library and consists of seven members appointed by the Mayor and confirmed by the Board. Debt is issued in the name of the City and the City levies the Public Library's ad valorem tax annually. The Public Library is a special purpose government engaged in governmental activities and is discretely presented in the City's basic financial statements. Financial statements of the Public Library can be obtained from the Library's administrative office located at 3201 Rogers Avenue, Fort Smith, Arkansas, 72903, or from the City Clerk's office. See *Note 13* on pages 121-122 of these notes for condensed financial statements.

Related Organizations

The City's Mayor and Board are also responsible for appointing members of the boards of other organizations, but the City's accountability, for these organizations, does not extend beyond making the appointments. The Mayor and Board appoint the members of the Fort Smith Housing Authority and the Solid Waste Management District; however, the City cannot impose its will upon the Housing Authority or the Solid Waste Management District as stated in GASB Statements 14 and 39; therefore, the financial operations of these related organizations have not been included in the City's basic financial statements.

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements as follows:

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Government-Wide Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Expenses that cannot be specifically identified to a particular function are charged to functions based on time spent for that function and are included in the functional categories. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or identifiable activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity. All other revenues are reported as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category, governmental, proprietary, and fiduciary, are presented. Proprietary funds include both enterprise and internal service funds. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All other governmental and enterprise funds are aggregated and reported as nonmajor funds. Internal service funds are also aggregated and reported in a single column.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Street Maintenance Fund* is a special revenue fund that accounts for state gas turnback revenues and property taxes from the Sebastian County road tax allocation restricted for street and traffic control operations. Minor maintenance, repair, and construction of streets and traffic control signals as well as street lighting are included in this fund.

The *Sales Tax Fund* is a special revenue fund that accounts for resources from the City's one percent (1%) local sales and use tax dedicated to the major street, bridge, and associated drainage projects.

The *Sales and Use Tax Construction Fund* is a capital projects fund that accounts for the proceeds of the Sales and Use Tax Refunding and Construction Bonds and the projects funded thereby.

The *Sales and Use Tax Bond Fund* is a debt service fund that accounts for resources to repay general government related debt.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

The City reports the following major enterprise funds:

The *Water and Sewer Fund* is an enterprise fund that accounts for the activities of the water and wastewater operations. The City operates water treatment plants and distribution lines and wastewater treatment plants, pumping stations and collection systems.

The *Sanitation Fund* is an enterprise fund that accounts for the activities of providing solid waste collection and disposal. The City's landfill activities are included in this fund.

The City reports the following fiduciary fund type:

The OPEB Fund is a pension trust fund that accounts for contributions to an irrevocable trust established to provide for future funding of retirees' medical plan benefits.

Additionally, the City reports the following fund types:

Special Revenue Funds- The special revenue funds, which include federal and state grants, are used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes. The City's nonmajor special revenue funds are Community Development Block Grant (CDBG) Funds, Tilles Park Fund, Home Investment Partnership Act Fund, Special Grants Fund, LOPFI Contribution Fund, Economic Development Fund, and Convention Center Fund.

Internal Service Funds- The internal service funds are used to account for centralized services, employee health care, and workers' compensation coverage provided to the City departments on a cost-reimbursement basis.

Measurement Focus and Basis of Accounting

Government-Wide and Proprietary Funds

The government-wide, proprietary fund financial statements and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Proprietary fund operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the fund. All revenues and expenses not meeting this definition are reported as nonoperating items.

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include taxes, fines and forfeitures, grants, entitlements, and similar items; and contributions. Recognition standards are based on the characteristics and classes of nonexchange transactions. Property taxes are recognized as revenues in the year for which they are levied. Utility franchise fees, other taxes, and fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. All of the utility franchise fees remitted to the City are based upon the gross receipts of the franchised utility. Grants, entitlements, and contributions are recognized as revenues, net of estimated uncollectible

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as unavailable revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The City considers revenues reported in the governmental funds to be available if they are collectible within sixty (60) days after year-end with the exception of grant revenues that are considered available if collected within one year. Principal revenue sources considered susceptible to accrual include ad valorem taxes, sales taxes, utility franchise fees, grant revenues, and interest. Other revenues, such as fines and forfeitures and service charges, are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when the related liability is incurred under the accrual basis of accounting, except for expenditures related to principal and interest on long-term debt, claims and judgments, and compensated absences which are recorded only when payment is due.

Cash and Investments

In order to facilitate cash management, the operating cash of certain funds is pooled into common bank accounts for the purpose of increasing income through combined investment activities. Investments are carried at fair value. Interest earned on investments is recorded in the funds in which the investments are recorded.

Inventories

Inventories, consisting primarily of gasoline and waterline materials, are valued on the average cost basis.

General government fund inventories are accounted for on the purchase method.

Capital Assets

Capital assets, which include infrastructure assets constructed since 1980, are reported in the government-wide financial statements and the fund financial statements for proprietary funds.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Capital assets are recorded at cost including interest during the construction period for business-type activities. Contributed property is recorded at fair value at the date of contribution. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets, or on the units-of-production method based on filled capacity utilized for the City's landfill.

The ranges of estimated useful lives, excluding improvements other than buildings for the Sanitation Fund, are as follows:

Capital Assets	Useful Life (Years)
Governmental activities:	
Buildings	10 to 50
Improvements other than buildings	5 to 50
Infrastructure	
Streets	40
Bridges	30
Drainage	20
Machinery and equipment	5 to 20
Business-type activities:	
Enterprise funds:	
Water and sewer system:	
Water system	10 to 50
Sewer system	10 to 50
Machinery and equipment	3 to 10
Sanitation:	
Buildings	35
Leasehold improvements	10 to 30
Machinery and equipment	3 to 10
Discretely presented component units:	
Public Library	
Fixtures and equipment	5 to 10
Transportation equipment	5
Parking Authority:	
Buildings	30
Machinery and equipment	3 to 10
Airport Commission:	
Buildings and improvements	10 to 30
Improvements other than buildings	5 to 20
Machinery and equipment	3 to 15
Furniture and fixtures	3 to 10
Ramps, runways, taxiways and improvements	3 to 50

Renewals and betterments of property and equipment are capitalized, whereas normal repairs and maintenance are charged to expense as incurred.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Interest is capitalized on enterprise fund capital assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There was no capitalized interest in 2015.

The City's capitalization policy states that capital assets are defined as assets with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of greater than one year. Exceptions are for infrastructure assets that are defined as having a constructed cost greater than or equal to \$250,000.

Property Tax Revenue

Taxes are levied on November 1 and are due and payable at that time. Property taxes attach an enforceable lien on property the first following Monday in February (the lien date). All unpaid taxes levied November 1 become delinquent October 16 of the following year.

Sebastian County is the collecting agent for the levy and remits the collections to the City, net of a collection fee.

The City is permitted by Arkansas State Law to levy taxes up to \$0.50 per \$100 of assessed valuation on real and personal property for general governmental services, \$0.50 per \$100 of assessed valuation on real and personal property for the payment of principal and interest on long-term debt, \$0.10 per \$100 of assessed valuation on real and personal property for the police pension funds and \$0.10 per \$100 of assessed valuation on real and personal property for the fire pension funds. The combined tax rate levied by the City in 2014 to finance the above operations was \$0.70 per \$100 of assessed valuation on real and personal property, leaving a tax margin of \$0.50 per \$100 of assessed valuation on real and personal property. Approximately \$6.8 million of additional taxes could be raised per year based on the current year's assessed value of \$1,013,693,663 for real property and \$355,566,010 for personal property before the limit is reached.

Compensated Absences

The City allows nonuniformed employees to accumulate unused vacation of up to 160 hours, police to accumulate unused vacation of up to 160 hours, and firefighters to accumulate unused vacation of up to 240 hours for one year. Upon termination, any accumulated unused vacation time will be paid to the employees. Generally, City employees are allowed to accumulate unused sick leave up to a maximum of 120 days. Any accumulated unused sick leave over 45 days for nonuniformed employees hired prior to February 4, 1992, and any accumulated unused sick leave over 90 days for nonuniformed employees hired February 4, 1992, and thereafter is paid upon termination. At the end of term of service, police officers will be paid for any accumulated unused sick leave upon retirement to a maximum amount equal to three month's salary for police officers at the rank held upon retirement. At the end of term of service, firefighters shall be paid for any accumulated unused sick leave upon retirement to a maximum amount of three month's salary in the rank of Assistant Chief and above, and to a maximum amount of 728 hours for firefighters in the rank of Captain and below.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

The City records a liability for compensated absences as the employee earns benefits attributable to services already rendered that are not contingent on a specific event that is outside the control of the City. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured such as a result of employee resignations and retirements.

Risk Management

The City maintains a medical self-insurance plan funded by the City and administered by a third party. The plan provides certain healthcare benefits to active and retired City employees. Substantially all regular, full-time City employees are eligible for these benefits. The City's costs of providing these benefits, including premiums, totaled \$9,408,474 in 2015, and are included in operating expenses in the Employee Insurance Fund. The City contributes fully for each employee and shares in the contribution for any dependents. Retired employees may continue coverage under the City's policy, but must bear the entire cost of these contributions. See *Note 8* on pages 112-114.

The City also makes contributions to fund a self-insured workers' compensation program. The City contributed \$540,600 in 2015 to fund this program. There have been no significant reductions in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage in the past three fiscal years.

Sales Taxes

In November 1985, the City began assessing a 1% sales and use tax on retail sales in the City. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes for this purpose totaled \$20,380,151 for fiscal year 2015, and are included in the Sales Tax Fund's sales tax revenues in the accompanying financial statements. Sales tax revenues are restricted for repair, maintenance, and improvement of City streets, bridges, and associated drainage. The City refers the tax to the voters every ten years for reapproval. The tax is currently extended through 2025.

In August 1994, Sebastian County began assessing a 1% sales and use tax on retail sales in the county. Each city within Sebastian County receives a portion of the tax based upon population of the city. Currently, the City receives approximately 79% of the county tax. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes totaled \$16,090,921 for fiscal year 2015. These taxes are included in the General Fund's sales tax revenues. The County refers the tax to the voters every ten years for reapproval. The tax is currently in place through August 2024.

In March 2012, the citizens approved a referendum to continue the 1% sales and use tax on retail sales in the city to refund the Sales and Use Tax Construction Bonds, Series 2006, 2008 and 2009, to fund a new aquatics center, construct a new fire station, purchase and replace fire apparatus, improve existing fire stations, water improvements and wastewater improvements. The 1% sales tax revenue is split at $\frac{3}{4}\%$ for the repayment of the Sales and Use Tax Refunding and Construction Bonds, Series 2012 and 2014, and $\frac{1}{4}\%$ for fire and parks departments operating and capital asset costs. These taxes are collected by the state and remitted to the City net of a collection fee. The taxes for this purpose totaled \$20,379,227 for fiscal year 2015.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Statement of Cash Flows

For purpose of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents, which are classified as cash and restricted cash in the accompanying statement of fund net position.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities, business-type activities, and component units. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. In governmental funds, long-term liabilities are only recorded to the extent that they are due and payable. Debt premiums, discounts and deferred losses on refunding are generally deferred and amortized over the shorter of refunded debt or refunded debt's life using the straight-line method that approximates the effective interest method. Long-term debt is reported net of the applicable debt premium or discount and deferred losses on refundings

In the fund financial statements, governmental fund types recognize debt discounts and premiums during the current period. The face amount of the debt issued and discounts given are reported separately as other financing sources. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

Restricted Assets

Assets are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are used first.

Certain proceeds of the City's general government sales and use tax bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The balance of the restricted asset accounts in the general government activities are as follows:

Cash	\$ 228,121
Investments	43,440,346
Interest receivable	128,054
Sales taxes receivable	<u>1,290,507</u>
Total restricted assets - general government	<u><u>\$ 45,087,028</u></u>

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Certain proceeds of the City's enterprise funds revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

The balances of the restricted assets accounts in the enterprise funds are as follows:

Current Assets:

Cash - water and sewer depreciation account	\$ 112,500
Cash - water and sewer meter deposit account	11,820
Cash - water and sewer operating account	68,500
Cash - water and sewer bond construction account	199,684
Investments - water and sewer depreciation account	1,737,500
Investments - water and sewer meter deposit account	423,428
Investments - water and sewer bond account	6,827,432
Investments - water and sewer bond construction account	28,901,189
Accounts receivable - solid waste cleanup program account	212,584
Total current assets - restricted	<u>38,494,637</u>

Noncurrent assets:

Prepaid items and deposits - water and sewer operating account	37,522
Prepaid items and deposits - water and sewer bond construction account	117,527
Total noncurrent assets	<u>155,049</u>

Total restricted assets - enterprise funds	<u><u>\$ 38,649,686</u></u>
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Unearned Revenue

Unearned revenue consists mainly of grant receipts and convention center rentals.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from these estimates.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Fire Relief and Pension Plan, the Police Relief and Pension Plan, the Local Police and Fire Retirement System and the Arkansas Public Employee's Retirement System (together, the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balances – Governmental Funds

The fund balances for the City's governmental funds are displayed in five components:

Nonspendable – Nonspendable fund balances are not in a spendable form or are required to remain intact.

Restricted – Restricted fund balances may be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Committed fund balances may be used only for the specific purposes determined by ordinance of the Board of Directors (BOD). Commitments may be changed by issuance of an ordinance by the BOD.

Assigned – Assigned fund balances are intended to be used by the City for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balances represent the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. The Board of Directors (BOD) has by resolution authorized the City Administrator to assign fund balance. The BOD may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in other classifications.

The City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The City applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has three items that qualify for reporting in this category. The first item is a deferred charge on refunding reported in the government-wide statement of net position and the proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized to interest expense over the shorter of the life of the refunded or refunding debt. Both of the remaining two items are related to pensions, with one being the amount of contributions made to the pension plans after the measurement date, and the other the difference in investment experience between actual earnings and projected earnings on pension plan investments. Deferred outflows related to contributions made after the measurement date will be used in the next year to reduce net pension liability. The remaining amounts will be amortized to pension expense over future periods as shown within *Note 7*.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three items that qualify as deferred inflows of resources as of December 31, 2015. The items reported in the statements are unavailable revenues in the governmental funds balance sheet, deferred inflows-pension in the government-wide statement of net position, and deferred amounts on refunding in the government-wide statement of net position and the proprietary funds statement of net position. Unavailable revenue arises under the modified accrual basis of accounting and qualifies for reporting in this category. Accordingly, this item is only reported in the governmental funds balance sheet. Governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows-pension consists of the difference between the expected and actual experience related to the pension plans as well as the net difference in investment experience between actual earnings and projected earnings on pension plan investments. Deferred inflows-pension are amortized over future periods as shown within *Note 7*.

Note 2: Cash and Investments

The City maintains a cash and investment pool that is available for use by all City funds. In addition, investments are separately held by some of the City's funds.

The City follows GASB Statement 3, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended by GASB Statement 40, *Deposit and Investment Risk Disclosure*. The investments and deposits of the primary government are stated at quoted fair values. As a result, a net unrealized loss of \$61,421 is recorded as a decrease in fair value of investments for the primary government in 2015 related to the City's governmental funds.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Arkansas. At December 31, 2015, all the City's deposits were fully collateralized and, therefore, were not exposed to custodial credit risk. Independent third parties held securities in the City's name as collateral at December 31, 2015. The bank balances and carrying amount of the City's deposits held as of December 31, 2015 were as follows:

Pooled and Nonpooled Funds

Description	Bank Balance	Carrying Amount
Demand deposits	\$ 96,567,448	\$ 109,847,885
Certificates of deposit	7,806,000	7,806,000
	<u>\$ 104,373,448</u>	<u>\$ 117,653,885</u>

Component Units

At year-end, the carrying amount and the bank balance of the Advertising and Promotion Commission deposits was \$948. At December 31, 2015, none of the balances were exposed to custodial credit risk.

At year-end, the carrying amount of the Public Library's deposits was \$589,780 and the bank balance was \$629,855. At December 31, 2015, none of the balances were exposed to custodial credit risk.

At year-end, the carrying amount and the bank balance of the Parking Authority's deposits was \$2,853. At December 31, 2015, none of the balances were exposed to custodial credit risk.

At year-end, the carrying amount of the Airport Commission's deposits was \$1,877,442 and the bank balance was \$2,878,983. At December 31, 2015, none of the balances were exposed to custodial credit risk.

Investments

State statutes and City ordinances authorize the City to invest funds in obligations of the U.S. Government. The City pension funds are authorized to invest in obligations of the U.S. Treasury, U.S. agencies and instrumentalities, commercial paper, corporate stocks, bonds, and mutual funds.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

The City's investments, including accrued interest, held as of December 31, 2015, were as follows:

Pooled and Nonpooled funds

Description	Fair Value	Investment Maturities Less than 1 Year	Investment Maturities 1-5 Years
U.S. Treasury Bills	\$ 9,979,904	\$ 9,979,904	\$ -
U.S. Treasury Notes	30,186,698	-	30,186,698
	<u>\$ 40,166,602</u>	<u>\$ 9,979,904</u>	<u>\$ 30,186,698</u>

Component Units

At year-end, the Advertising & Promotion Commission held \$176,065 in U.S. Treasury Bills. The Advertising & Promotion Commission reports investments at fair value and the maturity dates of the bills are less than one year.

At year-end, the Public Library held \$300,902 in money market funds. The Public Library reports investments at fair value.

At year-end, the Parking Authority fund held \$452,211 in U.S. Treasury Bills. The Parking Authority reports investments at fair value and the maturity dates of the bills are less than one year.

At year-end, the Airport Commission held \$76,658 in money market mutual funds. The Airport Commission reports investments at fair value.

Interest Rate Risk. The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The City's investments at December 31, 2015 are securities issued and guaranteed by the U.S. Government.

Custodial Credit Risks. Custodial credit risk is the risk that in the event of the failure of the counterparty the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. While the City's investment policy does not directly address custodial credit risk, all investments held by the City or by an agent of the City are in the City's name.

The following schedules reconcile the carrying amounts of deposits and investments to the government-wide statement of net position:

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Primary Government:

Carrying value of deposits -	
Pooled and nonpooled funds	\$ 117,653,885
Deposits classified as investments	<u>(112,745,182)</u>
	<u><u>\$ 4,908,703</u></u>
 Cash as reported on the government-wide statement of net position	 \$ 4,288,078
Restricted cash as reported on the government-wide statement of net position	 <u>620,625</u>
	<u><u>\$ 4,908,703</u></u>
 Carrying value of investments -	
Pooled and nonpooled funds	\$ 40,166,602
Deposits classified as investments	<u>112,745,182</u>
	<u><u>\$ 152,911,784</u></u>
 As reported on the government-wide statement of net position:	
Investments	\$ 71,453,835
Interest receivable	-
Restricted investments	81,329,895
Restricted interest receivable	<u>128,054</u>
	<u><u>\$ 152,911,784</u></u>

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Component Units:

Governmental type-

Carrying value of deposits -	
Advertising and Promotion	
Commission	\$ 948
Public Library	589,780
Carrying value of investments -	
Advertising and Promotion	
Commission	176,065
Public Library	300,902
	<hr/>
	\$ 1,067,695
	<hr/> <hr/>
As reported on the government-wide	
statement of net position:	
Cash	\$ 590,728
Investments	476,967
Interest receivable	-
	<hr/>
	\$ 1,067,695
	<hr/> <hr/>

Business type-

Carrying value of deposits -	
Parking Authority	\$ 2,853
Airport Commission	2,783,617
Carrying value of investments -	
Parking Authority	452,211
Airport Commission	76,658
	<hr/>
	\$ 3,315,339
	<hr/> <hr/>
As reported on the government-wide	
statement of net position:	
Cash	\$ 709,433
Investments	1,435,044
Interest receivable	-
Restricted cash	274,204
Restricted investments	896,658
	<hr/>
	\$ 3,315,339
	<hr/> <hr/>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Note 3: Capital Assets

Capital assets activity for the year ended December 31, 2015 was as follows:

Primary Government:

	As Restated December 31, 2014	Additions	Deletions/ Transfers	December 31, 2015
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 27,046,523	\$ 83,061	\$ -	\$ 27,129,584
Construction in progress	20,130,710	21,317,834	(23,720,265)	17,728,279
Total capital assets not being depreciated	<u>47,177,233</u>	<u>21,400,895</u>	<u>(23,720,265)</u>	<u>44,857,863</u>
Capital assets being depreciated				
Buildings	78,449,766	1,992	6,599,408	85,051,166
Improvements other than buildings	13,654,274	21,924	1,888,577	15,564,775
Infrastructure	350,673,444	-	14,745,727	365,419,171
Machinery and equipment	49,718,742	1,844,489	(40,399)	51,522,832
Total depreciable capital assets at historical cost	<u>492,496,226</u>	<u>1,868,405</u>	<u>23,193,313</u>	<u>517,557,944</u>
Less accumulated depreciation for				
Buildings	23,611,195	1,701,592	-	25,312,787
Improvements other than buildings	9,147,273	430,029	-	9,577,302
Infrastructure	103,528,385	8,955,580	-	112,483,965
Machinery and equipment	<u>26,209,491</u>	<u>2,754,209</u>	<u>(495,129)</u>	<u>28,468,571</u>
Total accumulated depreciation	<u>162,496,344</u>	<u>13,841,410</u>	<u>(495,129)</u>	<u>175,842,625</u>
Capital assets being depreciated, net	<u>329,999,882</u>	<u>(11,973,005)</u>	<u>23,688,442</u>	<u>341,715,319</u>
Governmental activities capital assets, net	<u><u>\$ 377,177,115</u></u>	<u><u>\$ 9,427,890</u></u>	<u><u>\$ (31,823)</u></u>	<u><u>\$ 386,573,182</u></u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Primary Government:

	As Restated December 31, 2014	Additions	Deletions/ Transfers	December 31, 2015
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 12,966,220	\$ 67,101	\$ -	\$ 13,033,321
Construction in progress	37,742,259	19,254,442	-	56,996,701
Total capital assets not being depreciated	50,708,479	19,321,543	-	70,030,022
Capital assets being depreciated:				
Water system	384,529,748	29,756	-	384,559,504
Sewer system	250,899,994	1,135,593	-	252,035,587
Buildings	1,999,645	-	-	1,999,645
Improvements other than buildings	21,206,087	1,485	-	21,207,572
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	36,447,539	2,168,936	(305,136)	38,311,339
Total depreciable capital assets at historical cost	695,792,965	3,335,770	(305,136)	698,823,599
Less accumulated depreciation for:				
Water system	104,050,828	6,839,206	-	110,890,034
Sewer system	77,177,958	4,743,708	-	81,921,666
Buildings	1,026,022	65,717	-	1,091,739
Improvements other than buildings	10,371,200	24,041	-	10,395,241
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	23,856,555	2,044,572	(305,136)	25,595,991
Total accumulated depreciation	217,192,515	13,717,244	(305,136)	230,604,623
Capital assets being depreciated, net	478,600,450	(10,381,474)	-	468,218,976
Business-type activities capital assets, net	\$ 529,308,929	\$ 8,940,069	\$ -	\$ 538,248,998

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government -

Administration	\$ 28,918
Legal	789
Finance	138,918

Public safety -

Police	1,179,591
Fire	1,000,278

Public works -

Operations	-
Streets	8,961,611
Traffic Control	395,130

Community services -

Health and social services	8,742
Parks and recreation	1,119,098
Convention center	677,233
Transit	318,010
Housing and rehabilitation	13,092

Total governmental activities depreciation expense	13,841,410
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Business type activities:

Water and Sewer	12,417,171
Sanitation	1,300,073

Total business-type activities depreciation expense	13,717,244
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Total depreciation expense	\$ 27,558,654
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Reconciliation of capital asset additions to the capital outlay in the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds:

Capital asset activity (on page 67):

Additions for capital assets not being depreciated	\$ 21,400,895
Additions for capital assets being depreciated	1,868,405
	\$ 23,269,300

Capital outlay reported on the statement of revenues, expenditures and changes in fund balances - governmental funds

	\$ 39,788,772
Less: capital contributions to the water and sewer fund	(16,519,472)
	\$ 23,269,300

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Capital asset activity for the year ended December 31, 2015, for the major enterprise funds was as follows:

Primary Government:

	As Restated December 31, 2014	Additions	Deletions/ Transfers	December 31, 2015
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 12,592,448	\$ 67,101	\$ -	\$ 12,659,549
Construction in progress	34,036,575	19,200,911	-	53,237,486
	<u>46,629,023</u>	<u>19,268,012</u>	<u>-</u>	<u>65,897,035</u>
Total capital assets not being depreciated:	<u>46,629,023</u>	<u>19,268,012</u>	<u>-</u>	<u>65,897,035</u>
Capital assets being depreciated:				
Water system	384,529,748	29,756	-	384,559,504
Sewer system	250,899,994	1,135,593	-	252,035,587
Machinery and equipment	12,942,311	897,579	(305,136)	13,534,754
	<u>648,372,053</u>	<u>2,062,928</u>	<u>(305,136)</u>	<u>650,129,845</u>
Total depreciable capital assets at historical cost	<u>648,372,053</u>	<u>2,062,928</u>	<u>(305,136)</u>	<u>650,129,845</u>
Less accumulated depreciation for:				
Water system	104,050,828	6,839,206	-	110,890,034
Sewer system	77,177,958	4,743,708	-	81,921,666
Machinery and equipment	7,171,430	834,257	(305,136)	7,700,551
	<u>188,400,216</u>	<u>12,417,171</u>	<u>(305,136)</u>	<u>200,512,251</u>
Total accumulated depreciation	<u>188,400,216</u>	<u>12,417,171</u>	<u>(305,136)</u>	<u>200,512,251</u>
Capital assets being depreciated, net	<u>459,971,837</u>	<u>(10,354,243)</u>	<u>-</u>	<u>449,617,594</u>
Total water and sewer fund capital assets, net	<u>\$ 506,600,860</u>	<u>\$ 8,913,769</u>	<u>\$ -</u>	<u>\$ 515,514,629</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

	As Restated December 31, 2014	Additions	Deletions/ Transfers	December 31, 2015
Sanitation Fund:				
Capital assets not being depreciated:				
Land	\$ 373,772	\$ -	\$ -	\$ 373,772
Construction in progress	3,705,684	53,531	-	3,759,215
Total capital assets not being depreciated:	4,079,456	53,531	-	4,132,987
Capital assets being depreciated:				
Buildings	1,999,645	-	-	1,999,645
Improvements other than buildings	21,206,087	1,485	-	21,207,572
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	23,505,228	1,271,357	-	24,776,585
Total depreciable capital assets at historical cost	47,420,912	1,272,842	-	48,693,754
Less accumulated depreciation for:				
Buildings	1,026,022	65,717	-	1,091,739
Improvements other than buildings	10,371,200	24,041	-	10,395,241
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	16,685,125	1,210,315	-	17,895,440
Total accumulated depreciation	28,792,299	1,300,073	-	30,092,372
Capital assets being depreciated, net	18,628,613	(27,231)	-	18,601,382
Total sanitation fund capital assets, net	\$ 22,708,069	\$ 26,300	\$ -	\$ 22,734,369

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Component Units-

	December 31, 2014	Additions	Deletions/ Transfers	December 31, 2015
Governmental Activities:				
Public Library				
Capital assets not being depreciated:				
Land	\$ 422,132	\$ -	\$ -	\$ 422,132
Rare book collection	5,000	-	-	5,000
Capital assets not being depreciated	<u>427,132</u>	<u>-</u>	<u>-</u>	<u>427,132</u>
Capital assets being depreciated:				
Equipment	1,143,920	60,838	-	1,204,758
Transportation equipment	<u>139,952</u>	<u>-</u>	<u>-</u>	<u>139,952</u>
Total depreciable capital assets at historical cost	1,283,872	60,838	-	1,344,710
Less accumulated depreciation	<u>994,564</u>	<u>63,928</u>	<u>-</u>	<u>1,058,492</u>
Capital assets being depreciated, net	<u>289,308</u>	<u>(3,090)</u>	<u>-</u>	<u>286,218</u>
Governmental activities capital assets, net				
Public Library	<u>\$ 716,440</u>	<u>\$ (3,090)</u>	<u>\$ -</u>	<u>\$ 713,350</u>
	December 31, 2014	Additions	Deletions/ Transfers	December 31, 2015
Business-type activities:				
Parking Authority				
Capital assets not being depreciated:				
Land	<u>1,359,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,359,160</u>
Capital assets being depreciated:				
Improvements other than buildings	2,490,438	-	-	2,490,438
Machinery and equipment	<u>73,525</u>	<u>-</u>	<u>-</u>	<u>73,525</u>
Total depreciable capital assets at historical cost	<u>2,563,963</u>	<u>-</u>	<u>-</u>	<u>2,563,963</u>
Less accumulated depreciation for:				
Improvements other than buildings	2,187,661	197,012	-	2,384,673
Machinery and equipment	<u>73,525</u>	<u>-</u>	<u>-</u>	<u>73,525</u>
Total accumulated depreciation	<u>2,261,186</u>	<u>197,012</u>	<u>-</u>	<u>2,458,198</u>
Capital assets being depreciated, net	<u>302,777</u>	<u>(197,012)</u>	<u>-</u>	<u>105,765</u>
Business-type activities capital assets, net				
Parking Authority	<u>\$ 1,661,937</u>	<u>\$ (197,012)</u>	<u>\$ -</u>	<u>\$ 1,464,925</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

	December 31, 2014	Additions	Deletions/ Transfers	December 31, 2015
Airport Commission:				
Capital assets				
not being depreciated:				
Land	\$ 6,195,295	\$ 129,411	\$ -	\$ 6,324,706
Construction in progress	1,289,461	140,391	(1,250,429)	179,423
Total capital assets not being depreciated	<u>7,484,756</u>	<u>269,802</u>	<u>(1,250,429)</u>	<u>6,504,129</u>
Capital assets being depreciated:				
Buildings	21,623,816	405,722	-	22,029,538
Runways & other airport infrastructure	48,551,338	5,475,613	-	54,026,951
Equipment, furniture & fixtures, and other	11,093,210	496,241	(127,278)	11,462,173
Total depreciable capital assets at historical cost	<u>81,268,364</u>	<u>6,377,576</u>	<u>(127,278)</u>	<u>87,518,662</u>
Less accumulated depreciation for:				
Buildings	11,721,949	590,879	-	12,312,828
Runways & other airport infrastructure	33,231,940	1,459,293	-	34,691,233
Equipment, furniture & fixtures, and other	8,513,277	544,404	(124,864)	8,932,817
Total accumulated depreciation	<u>53,467,166</u>	<u>2,594,576</u>	<u>(124,864)</u>	<u>55,936,878</u>
Capital assets being depreciated, net	<u>27,801,198</u>	<u>3,783,000</u>	<u>(2,414)</u>	<u>31,581,784</u>
Business-type activities capital assets, net				
Airport Commission	<u>\$ 35,285,954</u>	<u>\$ 4,052,802</u>	<u>\$ (1,252,843)</u>	<u>\$ 38,085,913</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Construction-in-progress is composed of the following:

	Primary Appropriation	Expended to December 31, 2015	Committed
Primary government:			
Governmental activities	\$ 40,615,358	\$ 17,728,279	\$ 22,887,079
Business-type activities			
Sanitation capital improvements	13,369,698	3,759,215	9,610,483
Water and sewer capital improvements	60,005,564	53,237,486	6,768,078
Total	<u>\$ 113,990,620</u>	<u>\$ 74,724,980</u>	<u>\$ 39,265,640</u>

The City's governmental construction projects include major street and drainage improvements, a new aquatics park, a new sports complex, additional trails and greenways, and a new fire training center. Funding is in place for these projects. The water and sewer capital improvement projects include the water and wastewater projects that are being funded by the Sales and Use Tax Refunding and Construction Bonds, Series 2012 and 2014. These assets are being transferred to the Water and Sewer Fund as contributed capital from a general government fund. Funds are available for these projects. The water and sewer capital improvement projects also include the neighborhood waterline improvements, wet weather wastewater improvements, and plant designs that are funded by the 2008 water and sewer system revenue bonds and utility operating revenues. The sanitation project currently includes construction of a new and expanded scale house for operations at the landfill and construction of a new road to the landfill. Funds are in place for both of these projects.

Reconciliation of Capital Assets to Net Investment in Capital Assets on the Statement of Net Position:

	Governmental	Business-Type		
		Water and Sewer	Sanitation	Total
Primary Government:				
Net book value	\$ 386,573,182	\$ 515,514,629	\$ 22,734,369	\$ 538,248,998
Current and noncurrent debt	(114,507,192)	(188,046,996)	-	(188,046,996)
Restricted assets - unspent bond/net proceeds	29,226,336	-	-	-
Net investment in capital assets	<u>\$ 301,292,326</u>	<u>\$ 327,467,633</u>	<u>\$ 22,734,369</u>	<u>\$ 350,202,002</u>
Component Units:				
Net book value	\$ 713,350	\$ 39,550,838		
Current and noncurrent debt	-	(2,495,517)		
Net investment in capital assets	<u>\$ 713,350</u>	<u>\$ 37,055,321</u>		

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Note 4: Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2015 were as follows:

Primary Government-

	Balance December 31, 2014 (As Restated)	Increases	Decreases	Balance December 31, 2015	Amount Due in One Year
Governmental Activities:					
Bonds Payable -					
Sales tax bonds	\$ 119,385,000	\$ -	\$ 11,240,000	\$ 108,145,000	\$ 6,965,000
Add issuance premium	5,976,088	-	486,577	5,489,511	-
Sales tax bonds payable, net	125,361,088	-	11,726,577	113,634,511	6,965,000
Capital leases payable	281,239	-	108,076	173,163	85,063
Compensated Absences	2,406,750	146,688	136,107	2,417,331	143,348
Employee insurance/workers' compensation	1,697,029	-	361,845	1,335,184	1,335,184
OPEB liabilities	14,685,873	2,953,403	-	17,639,276	-
Net pension liabilities	51,670,693	870,765	-	52,541,458	-
Total other long-term liabilities	70,741,584	3,970,856	606,028	74,106,412	1,563,595
Total governmental activities long-term liabilities	\$ 196,102,672	\$ 3,970,856	\$ 12,332,605	\$ 187,740,923	\$ 8,528,595
Business-Type Activities					
Bonds Payable -					
Revenue bonds	\$ 160,305,000	\$ 35,000,000	\$ 11,775,000	\$ 183,530,000	\$ 5,730,000
Less issuance discounts	(24,567)	-	(24,567)	-	-
Add issuance premium	2,345,909	2,424,762	272,255	4,498,416	-
Revenue bonds payable, net	162,626,342	37,424,762	12,022,688	188,028,416	5,730,000
Capital leases payable	355,191	-	355,191	-	-
Compensated absences	1,159,250	307,762	353,150	1,113,862	66,052
Claims Payable-Employee insurance and worker's compensation	835,791	-	172,146	663,645	663,645
OPEB liabilities	7,038,791	1,492,965	-	8,531,756	-
Closure/postclosure landfill costs	4,599,595	197,366	-	4,796,961	-
Total other long-term liabilities	13,988,618	1,998,093	880,487	15,106,224	729,697
Total business-type activities long-term liabilities	\$ 176,614,960	\$ 39,422,855	\$ 12,903,175	\$ 203,134,640	\$ 6,459,697

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Reconciliation of governmental activities to the government-wide statement of net position:

Current Liabilities:	
Current portion of long-term debt	\$ 6,965,000
Noncurrent liabilities:	
Due within one year	1,563,595
Due in more than one year	<u>179,212,328</u>
 Total governmental activities long-term liabilities	 <u><u>\$ 187,740,923</u></u>

Reconciliation of business-type activities to the government-wide statement of net assets:

Current Liabilities:	
Current portion of long-term debt	\$ 5,730,000
Noncurrent liabilities:	
Due within one year	729,697
Due in more than one year	<u>196,674,943</u>
 Total business-type activities long-term liabilities	 <u><u>\$ 203,134,640</u></u>

The claims payable for employee insurance and workers' compensation are related to the internal service fund allocations. The internal service funds serve governmental funds as well as the two enterprise funds, therefore, the claims allocations are applied to governmental and business-type activities as applicable. For governmental activities, the General Fund generally liquidates claims and compensated absences.

The other postemployment benefit (OPEB) liabilities are related to healthcare benefits for retirees. The OPEB liabilities apply to governmental and business-type activities as applicable. For governmental activities, the General Fund generally liquidates OPEB liabilities.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Changes in long-term liabilities for the year ended December 31, 2015 for the major enterprise funds were as follows:

	Balance December 31, 2014 (As Restated)	Increases	Decreases	Balance December 31, 2015	Amount Due in One Year
Water and Sewer Fund:					
Bonds Payable -					
Revenue bonds	\$ 160,305,000	\$ 35,000,000	\$ 11,775,000	\$ 183,530,000	\$ 5,730,000
Less issuance discounts	(24,567)	-	(24,567)	-	-
Add issuance premium	2,345,909	2,424,762	272,255	4,498,416	-
Revenue bonds payable, net	<u>162,626,342</u>	<u>37,424,762</u>	<u>12,022,688</u>	<u>188,028,416</u>	<u>5,730,000</u>
Capital leases payable	54,271	-	54,271	-	-
Compensated absences	941,974	298,699	348,860	891,813	54,553
OPEB liabilities	4,801,151	1,165,844	-	5,966,995	-
Other long-term liabilities	<u>5,797,396</u>	<u>1,464,543</u>	<u>403,131</u>	<u>6,858,808</u>	<u>54,553</u>
Total water and sewer fund	<u>\$ 168,423,738</u>	<u>\$ 38,889,305</u>	<u>\$ 12,425,819</u>	<u>\$ 194,887,224</u>	<u>\$ 5,784,553</u>
Sanitation Fund:					
Capital leases payable	\$ 300,920	\$ -	\$ 300,920	\$ -	\$ -
Compensated absences	217,276	9,063	32,421	193,918	11,499
OPEB liabilities	2,237,640	327,121	-	2,564,761	-
Closure/postclosure landfill costs	<u>4,599,595</u>	<u>197,366</u>	<u>-</u>	<u>4,796,961</u>	<u>-</u>
Other long-term liabilities	<u>7,355,431</u>	<u>533,550</u>	<u>333,341</u>	<u>7,555,640</u>	<u>11,499</u>
Total sanitation fund	<u>\$ 7,355,431</u>	<u>\$ 533,550</u>	<u>\$ 333,341</u>	<u>\$ 7,555,640</u>	<u>\$ 11,499</u>

Reconciliation of changes in long-term liabilities for the major enterprise funds to the statement of fund net position for proprietary funds:

	Water and Sewer Fund	Sanitation Fund
Current Liabilities		
Revenue bonds payable	\$ 5,730,000	\$ -
Capital leases payable	-	-
Accrued vacation and sick leave	54,553	11,499
Noncurrent Liabilities:		
Landfill closure and postclosure care	-	4,796,961
Revenue bonds, net	182,298,416	-
Accrued vacation and sick leave	837,260	182,419
OPEB liabilities	<u>5,966,995</u>	<u>2,564,761</u>
Total long-term liabilities for major enterprise funds	<u>\$ 194,887,224</u>	<u>\$ 7,555,640</u>

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Changes in long-term liabilities for the year ended December 31, 2015, for the component units were as follows:

	Balance December 31, 2014 (As Restated)	Increases	Decreases	Balance December 31, 2015	Amount Due in One Year
Component Units:					
Business-type activities					
Parking Authority:					
Compensated absences	\$ 628	\$ -	\$ 111	\$ 517	\$ 5
Airport Commission:					
Bonds payable - revenue bonds	2,675,000	-	180,000	2,495,000	190,000
Total business-type activities	<u>\$ 2,675,628</u>	<u>\$ -</u>	<u>\$ 180,111</u>	<u>\$ 2,495,517</u>	<u>\$ 190,005</u>
Governmental activities					
Public Library					
Net pension liabilities	\$ 1,042,220	\$ 350,016	\$ -	\$ 1,392,236	\$ -
Total governmental activities	<u>\$ 1,042,220</u>	<u>\$ 350,016</u>	<u>\$ -</u>	<u>\$ 1,392,236</u>	<u>\$ -</u>
Total Component Units	<u>\$ 3,717,848</u>	<u>\$ 350,016</u>	<u>\$ 180,111</u>	<u>\$ 3,887,753</u>	<u>\$ 190,005</u>

Operating Leases

The City leases office space under a noncancelable operating lease. Total costs for the lease to the General Fund were \$250,000 for the year ended December 31, 2015. The future minimum lease payments for the lease are as follows:

2016	\$ 272,000
2017	286,000
2018	<u>298,000</u>
Total	<u>\$ 856,000</u>

Capital Leases

The City has entered into lease agreements for the acquisition of capital assets in 2009 through 2015. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date in the statement of net position.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

The assets acquired through capital lease are as follows:

	Primary Government		
	Governmental Activities	Business - Type Activities	
		Water & Sewer	Sanitation
Machinery and Equipment	\$ 659,870	\$ 315,724	\$ 2,009,877
Less accumulated depreciation	(80,103)	-	(193,482)
Total	<u>\$ 579,767</u>	<u>\$ 315,724</u>	<u>\$ 1,816,395</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015 were as follows:

	Primary Government		
	Governmental Activities	Business - Type Activities	
		Water & Sewer	Sanitation
2016	\$ 91,245	\$ -	\$ -
2017	91,245	-	-
Total future minimum lease payments	182,490	-	-
Less interest	(9,327)	-	-
Net present value of future minimum lease payments	<u>\$ 173,163</u>	<u>\$ -</u>	<u>\$ -</u>

In accordance with Amendment 78 of the Arkansas Constitution, Arkansas state statutes limit the amount of short-term financing, including capital leases, the City may have in any fiscal year to five percent (5%) of the assessed valuation of property within the City. The limit applies to the reporting entity governmental activities. The governmental activities had capital leases payable of \$173,163 that is considered short-term financing as of December 31, 2015. The limit as of December 31, 2015 was \$67.5 million; therefore, management believes the City is in compliance with state statutes for short-term financing at December 31, 2015.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Sales and Use Tax Bonds- Governmental Activities

On May 22, 2012, the City issued \$110,660,000 Sales and Use Tax Refunding and Improvement Bonds, Series 2012. The bonds were issued to advance refund the outstanding Sales and Use Tax Refunding and Improvement Bonds, Series 2006, Sales and Use Tax Bonds, Series 2008, and Sales and Use Tax & Water and Sewer Revenue Bonds, Series 2009. The 2006 and 2008 Bonds were redeemed on September 1, 2013 and the 2009 Bonds were redeemed September 1, 2014. The reacquisition price exceeded the carrying amount of the old debt by \$1,483,000. The unamortized amount is netted against the new debt and is being amortized over the refunded debt's life using the straight-line method. The bonds were also issued to fund \$39.4 million in wastewater improvements; \$20.7 million in water system improvements; \$8.6 million in fire improvements; and \$4 million in aquatic center improvements. The bonds are due May 1, 2013 through May 1, 2027 in varying amounts with interest ranging from 1% to 5%, payable semiannually. The effective interest rate on the 2012 bonds is 3.05%. On March 13, 2012, voters approved the reauthorization of two ½% sales and use taxes for these bonds and for operation costs. The bonds are supported by .75% sales and use tax. The bonds are subject to mandatory redemption in inverse order from surplus tax collections on any payment date. During 2014, \$1,555,000 of the 2012 bonds was called. The remaining .25% sales and use tax is used for fire and park operations.

On February 27, 2014, the city issued \$34.295 million in Sales and Use Tax Bonds, Series 2014. Citizens approved the bonds in a referendum on March 13, 2012. These are additional bonds for water and wastewater improvements. A total of \$6 million is allocated to water improvements including transmission lines, water storage and pump stations. A total of \$28 million is allocated to wastewater improvements including wet weather sewer improvements. The 2014 Bonds are supported by the ¾% local sales and use tax that supports the 2012 Sales and Use Tax Bonds and were issued on parity with the 2012 Bonds. The 2014 Bonds carry interest ranging from 2% to 5% through May 1, 2029. The bonds are subject to mandatory redemption in inverse order on any interest payment date from the collection of excess sales taxes. During 2014, \$1,555,000 of the 2012 bonds was called.

Bond Retirement - The City is required to maintain a debt service reserve equal to \$5,533,000 during the life of the 2012 Bonds and \$1,714,750 during the life of the 2014 Bonds. The City held U.S. Treasury Bills at a carrying amount of \$5,530,584 at December 31, 2015 for the 2012 Bonds and \$1,714,059 for the 2014 Bonds.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Maturity Schedule – The debt service requirements for the Sales Tax Bonds at December 31, 2015 is as follows:

Revenue Bonds - Business-Type Activities

Sales Tax Bonds Maturity Schedule

	<u>Principal</u>	<u>Interest</u>
2016	\$ 6,965,000	\$ 4,001,868
2017	7,170,000	3,775,268
2018	7,415,000	3,526,443
2019	7,670,000	3,256,793
2020	7,960,000	2,964,843
2021-2025	45,000,000	9,459,151
2026-2029	<u>25,965,000</u>	<u>1,458,916</u>
Total	108,145,000	<u><u>\$ 28,443,282</u></u>
 Add unamortized bond premium	 <u>5,489,511</u>	
 Net bonds outstanding at December 31, 2015	 <u><u>\$ 113,634,511</u></u>	

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Revenue bonds outstanding at December 31, 2015, are comprised of the following individual issues:

Water and Sewer:

\$24,470,000 of Series 2007 Water and Sewer Revenue Bonds; due in annual installments of varying amounts through October 1, 2027 with interest ranging from 4% to 5% payable semiannually	\$ 16,990,000
\$117,420,000 of Series 2008 Water and Sewer Refunding and Construction Revenue Bonds; due in varying amounts through October 1, 2033 with interest ranging from 4% to 5.25% payable semiannually	111,180,000
\$18,920,000 of Series 2011 Water and Sewer Refunding Revenue Bonds; due in varying amounts through October 1, 2023 with interest ranging from 2% to 4.5% payable semiannually	12,490,000
\$13,250,000 of Series 2012 Water and Sewer Refunding Revenue Bonds; due in varying amounts through October 1, 2019 with interest ranging from 2% to 3.807% payable semiannually	7,870,000
\$35,000,000 of Series 2015 Water and Sewer Refunding Revenue Bonds; due in varying amounts through October 1, 2040 with interest ranging from 2% to 4% payable semiannually	<u>35,000,000</u>
Bonds outstanding, December 31, 2015	183,530,000
Unamortized bond premium	<u>4,498,416</u>
Net bonds outstanding, December 31, 2015	<u>\$ 188,028,416</u>

Water and Sewer-

On December 21, 2005, the City issued \$7,330,000 Water and Sewer Revenue Bonds, Series 2005B. The 2005B Bonds were issued to fund the purchase a portion of the South Sebastian County Water Users Association water system and to provide water services to the southern areas of Fort Smith. In December 2015, the City refunded the outstanding Series 2005B Bonds with the issuance of the Water and Sewer Refunding and Construction Revenue Bonds, Series 2015.

On November 21, 2007, the City issued \$24,470,000 Water and Sewer Revenue Bonds, Series 2007. The 2007 Bonds were issued to provide funding for improvements to the water and sewer facilities including new sewer pump stations, sewer extensions in the southern growth area of the City, the Mountainburg water treatment plant rehabilitation and expansion, Midland Boulevard water transmission line replacement, neighborhood water line replacements, new water line from Mountainburg to the City, water storage tank painting, Lee Creek water plant instrumentation, and water transmission system metering. The 2007 Bonds were issued as additional bonds on a parity of security with the 2005B bonds.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

On August 6, 2008, the City issued \$117,420,000 Water and Sewer Refunding and Construction Revenue Bonds, Series 2008. The 2008 Bonds were issued to advance refund the 2002A Bonds and to provide funding for improvements to the water and sewer facilities. The sewer improvements include extensions in growth areas of the City and the water improvements include the Mountainburg water treatment plant rehabilitation and expansion, the replacement of neighborhood water lines, and the Howard Hill elevated water storage tank. The 2008 Bonds advance refunded \$66.475 million of the outstanding Series 2002A Bonds. The carrying amount of the old debt exceeded the reacquisition price by \$440,770. The unamortized amount is netted against the new debt and is being amortized over the refunded debt's life using the straight-line method. The remaining unamortized deferred amount on refunding was \$203,431 as of December 31, 2015. The 2008 Bonds were issued as additional bonds on a parity of security with the 2005B and 2007 bonds.

On November 10, 2011, the City issued \$18,920,000 Water and Sewer Refunding Revenue Bonds, Series 2011, to refund the outstanding \$2,325,000 of 2002B Series Bonds and to refund the outstanding \$16,595,000 of 2002C Series Bonds. The reacquisition price exceeded the carrying amount of the old debt by \$93,625. The unamortized amount is netted against the new debt and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$54,615 as of December 31, 2015. The City completed the refunding to obtain an economic gain of \$1,372,849 over the remaining life of the bonds.

On February 23, 2012, the City issued \$13,250,000 Water and Sewer Revenue Refunding Bonds, Series 2012, to refund the outstanding 2005A Water and Sewer Revenue Refunding Bonds. The bonds are due in varying amounts on October 1, 2012 through 2019 with interest rates ranging from 2% to 3.807%, payable semiannually. The reacquisition price exceeded the carrying amount of the old debt by \$265,391. The unamortized amount is netted against the new debt and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$113,739 as of December 31, 2015. The City completed the refunding to reduce its total debt service payments over the next seven (7) years by \$1,803,168 and to obtain an economic gain of \$1,115,323.

On December 1, 2015, the City issued \$35,000,000 Water and Sewer Refunding and Construction Revenue Bonds, Series 2015, to finance the cost of acquiring, constructing, and equipping water and sewer improvements, current refunding of the City's Water and Sewer Revenue Bonds, Series 2005B, providing a debt service reserve and paying costs incidental thereto. The bonds are due in varying amounts on October 1, 2015 through 2040 with interest rates ranging from 2% to 4%, payable semiannually. The old amount of debt exceeded the reacquisition price by \$59,621. The unamortized amount is netted against the new debt and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$53,659 as of December 31, 2015. The City completed the refunding to reduce its total debt service payments over the next seven (10) years by \$547,391 and to obtain an economic gain of \$493,245.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

The Series 2007, 2008, 2011, 2012 and 2015 Revenue Bonds are collateralized by revenue of the water and sewer system and the various special funds established by the authorizing bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system, second to establish and maintain the revenue bond funds and third to pay the cost of replacements made necessary by the depreciation of the system. Any remaining revenues may then be used for redemption of the bonds prior to maturity, as discussed previously, for the purchase of bonds at a price not to exceed par and accrued interest, for construction, extension, betterments and improvements to the system, or for any other lawful purpose.

Per the Bond Authorizing Ordinances, the City covenants that the rates shall, if and when necessary, from time to time, be increased in such manner as will produce net revenues (net revenues being defined as gross revenues of the System less the amounts required to pay the costs of operation, maintenance, and repair of the System, including all expense items properly attributable to the operation and maintenance of the System in accordance with generally accepted accounting principles applicable to municipal water and sewer systems (excluding depreciation, interest and amortization expenses)) at least equal to 110% of current year's debt service on all System Bonds and the amount needed to make the deposits into the Depreciation Fund and the Debt Service Reserve and to reimburse bond insurers for any amounts owed in connection with a Qualified Surety Bond.

The ordinances also contain provisions that, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. As of December 31, 2015, the City is in compliance with all applicable requirements.

However, the City may not authorize or issue any such additional bonds ranking on a parity of security with outstanding Bonds, unless and until either: (1) there shall have been procured and filed with the Trustee a statement by an Accountant reciting that, based upon necessary investigation, the net revenues of the System for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 125% of the average annual principal and interest requirements on the System Bonds then outstanding and the additional bonds proposed to be issued; or (2) there shall have been procured and filed with the Trustee a statement by an Accountant reciting, based upon necessary investigation, that the net revenues of the system for the next ensuing fiscal year as reflected by a certificate of a duly qualified consulting engineer not in the regular employ of the City and approved by the Trustee, and taking into consideration any rate increase, shall be equal to not less than 130% of the average annual principal and interest requirements on all of the System Bonds then outstanding and the additional bonds then proposed to be issued.

Restricted accounts required by the bond ordinances are as follows:

Bond Retirement - The City is required to restrict funds for the payment of principal, interest, and trustee and paying agents' fees up to a maximum of \$1,891,369 related to the 2007 Bonds, \$11,712,104, related to the 2008 Bonds, \$1,892,000 related to the 2011 Bonds and \$1,325,000 related to the 2012 Bonds. The City held surety bonds valued at \$1,891,369, \$11,712,104, \$1,892,000, \$1,325,000 and \$2,331,150 at December 31, 2015 for this purpose.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Asset Replacement- The City is required to deposit 3% of the gross revenues of the water and sewer system for the then preceding month plus \$5,000 per month until the sum of \$500,000 has been accumulated in the Depreciation Fund. Amounts are to be used for replacements made necessary by the depreciation of the system. The City has accumulated \$1,400,000 for asset replacement as of December 31, 2015.

Maturity Schedule

Aggregate debt service requirements at December 31, 2015 for business-type activity related bonds were as follows:

	Total Business-Type Activities	
	Water and Sewer	
	Principal	Interest
2016	\$ 6,675,000	\$ 7,044,721
2017	6,760,000	6,855,971
2018	6,975,000	6,658,321
2019	7,220,000	6,444,614
2020	7,515,000	6,200,259
2021-2025	44,580,000	26,057,897
2026-2030	59,850,000	14,706,374
2031-2035	33,590,000	5,270,000
	10,365,000	1,276,000
Total	<u>\$ 183,530,000</u>	<u>\$ 80,514,157</u>

Component Units Revenue Bonds-Business-Type Activities

Airport Commission-

On August 2, 2011, the Airport Commission issued \$3,205,000 of City of Fort Smith, Arkansas Airport Refunding and Improvement Revenue Bonds, Series 2011, to refund the remaining outstanding Series 1999 Bonds. The bonds bear interest at 1.5% to 5.35%, payable semi-annually and the bonds are payable in annual installments through October 1, 2026. All the bonds still outstanding may be redeemed at the Airport's option on or after October 1, 2020. At December 31, 2015, bonds payable were \$2,495,000 .

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Maturities of revenue bonds payable for succeeding years are as follows:

	<u>Principal</u>	<u>Interest</u>
2016	\$ 190,000	\$ 115,658
2017	195,000	109,387
2018	200,000	102,368
2019	210,000	94,567
2020	215,000	85,328
2021-2025	1,250,000	259,910
2026	<u>235,000</u>	<u>12,572</u>
Total Payments	<u>\$ 2,495,000</u>	<u>\$ 779,790</u>

The bond covenants require the maintenance of the following restricted account:

Bond Retirement - The Airport Commission is required to maintain funds for the payment of principal, interest and trustee and paying agents' fees of \$382,316 , which are classified as restricted assets on the balance sheet, as of December 31, 2015. The Airport Commission held cash and investments equal to this amount at December 31, 2015.

Applicability of Federal Arbitrage Regulations

Debt issuances of the City and various Authorities issued after the Tax Reform Act of 1986 are subject to the federal arbitrage regulations. The arbitrage rebate regulations require that all earnings from the investment of gross proceeds of a bond issue in excess of the amount that could have been earned had the yield on the investment been equal to the yield on the bonds be remitted to the federal government. These rules carry strict penalties for noncompliance including taxability of interest retroactive to the date of the issue. City management believes the City is in compliance with these rules and regulations.

At December 31, 2015, the City has no arbitrage payable.

Conduit Debt Obligations

From time to time, the City has issued various bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the state, the City, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported in the accompanying financial statements.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

As of December 31, 2015, there were sixteen series of Industrial Development Revenue Bonds outstanding with an aggregate principal amount payable of \$337,600,000, two series of Fair and Exhibition Facilities Bonds outstanding with an aggregate principal amount payable of \$5,865,000, and two series of Residential Housing Facilities Board Multi-Family Housing Revenue Bonds outstanding with an aggregate principal payable of \$6,375,000.

Note 5: Risk Management

The City is exposed to various risks of loss related to the City's self-insurance of workers' compensation and health and other medical benefits provided to employees and retirees, and their dependents and beneficiaries. The City accounts for these programs through the Employee Insurance Fund and Workers' Compensation Fund. Each fund is an internal service fund. In addition, the City limits property and casualty losses and manages risk through the purchase of insurance policies with several different carriers. The City has not recognized any settlements that exceeded insurance coverage during the past three years.

All funds of the City participate in the City's insurance programs and make payments to the respective self-insurance funds based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for future claims. The Airport Commission and the Fort Smith Public Library participate in the City's health plans by making contributions as required by the City. At December 31, 2015, the net position was \$795,421 and \$390,707 in the Employee Insurance and Workers' Compensation Funds, respectively. The claims liability balances of \$1,330,659 and \$668,170 reported in the Employee Insurance and Workers' Compensation Funds, respectively, are based on the requirements of GASB Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability includes the effect of specific incremental claims, adjustment expenses, and if probable and material, salvages and subrogation. These liabilities include accruals for claims incurred but not reported, based upon the City's historical claims rate. These liabilities are the City's best estimate based on available information. Changes in the reported liabilities during 2015 are detailed below:

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

	Employee Insurance	Workers' Compensation
Self-insurance liability, December 31, 2013	\$ 1,560,424	\$ 819,729
Current year claims and changes in estimate	9,467,377	151,173
Claim payments	<u>(9,252,709)</u>	<u>(213,174)</u>
Self-insurance liability, December 31, 2014	1,775,092	757,728
Current year claims and changes in estimate	8,506,243	351,730
Claim payments	<u>(8,950,676)</u>	<u>(441,288)</u>
Self-insurance liability, December 31, 2015	<u><u>\$ 1,330,659</u></u>	<u><u>\$ 668,170</u></u>

Note 6: Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. International City Management Association Retirement Corporation (ICMARC) administers the Plan. All assets and income of the trust are for the exclusive benefit of eligible employees and their beneficiaries. The City does not have any fiduciary responsibility or administrative duties relating to the deferred compensation plan other than remitting employees' contributions to the trustees. Accordingly, the City has not presented the assets and liabilities from the plan in these basic financial statements. Deferred compensation investments are held by outside trustees. Plan investments are chosen by the individual (employee) participant and include mutual funds whose focus is on stocks, bonds, treasury securities, money market-type investments or a combination of these.

The Plan, available to all permanent City employees, permits them to defer until future years up to 25% of annual gross earnings not to exceed \$17,500. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Note 7: Pension Plans

The City of Fort Smith, Arkansas participates in four defined benefit pension plans; which are comprised of two agent multiple-employer defined benefit pension plans and two cost-sharing multiple-employer defined benefit pension plans, each of which are described and illustrated in detail below. Aggregate amounts for the four pension plans are as follows:

	FRPF	PRPF	LOPFI	APERS	Total
Net pension liability	\$ 17,828,703	\$ 16,818,160	\$ 17,804,470	\$ 90,125	\$ 52,541,458
Deferred outflows or resources	98,294	54,222	375,381	13,692	541,589
Deferred outflows or resources - contributions	1,609,084	1,372,907	3,043,184	6,868	6,032,043
Deferred inflows or resources	-	-	13,754	10,380	24,134
Pension expense	1,778,839	1,894,381	2,877,111	10,799	6,561,130

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

(a) Public Employees Retirement System (Defined Contribution Plan)

Plan Description

Effective April 1, 1997, the Public Employees' Retirement System (PERS) was converted to a money purchase retirement plan, a defined contribution plan, that is qualified under Section 401(a) of the Internal Revenue Code (the 401(a) Plan). ICMARC serves as administrator of the 401(a) Plan. All full-time, non-uniformed employees with the exception of the three district judges and the District Court Clerk are covered by the 401(a) Plan. Each participant has a plan account to which the contributions are made and each participant manages their account by selecting various investments options offered by ICMARC.

The present value of each PERS active member account at March 31, 1997, was transferred to ICMARC in the participant's name. An annuity contract from an insurance company was purchased to continue to provide benefit payments to beneficiaries of PERS. The remaining balance of approximately \$1,700,000 was transferred to the Employee Insurance Fund to provide for future employee benefits. Additionally, the contract was purchased whereby all beneficiaries will receive a 3% cost of living adjustment every three years beginning January 1, 1998. The present value of the deferred members of PERS may be withdrawn or rolled into a qualified plan at the member's choice.

Benefits Provided

Plan benefits are based upon the total amount of money in an individual's account at retirement. Plan provisions and contribution rates are established by the 401(a) Plan agreement between the Board and ICMARC. Approval from both the Board and ICMARC is required for 401(a) Plan amendments.

Contributions

Employees make no contributions to the 401(a) Plan; however, the City makes contributions equal to 10% of each covered employees' earnings. Employer contributions to the PERS plan totaled \$2,514,452 for 2015.

(b) Arkansas Public Employees' Retirement System

On January 1, 2005, the district court clerk became a member of the Arkansas Public Employees' Retirement System (APERS). APERS is administered by the state as a defined benefit plan. The employer contribution rate was 14.76% from January 1 through June 30, 2015 and it was 14.50% from July 1 through December 31, 2015 of covered payroll. The Clerk's contribution rate was 5% of covered payroll for 2015. The City's contributions to the Plan for the year ended December 31, 2015 were \$12,815.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Benefits Provided

Benefits under APERS are calculated depending on the member's hire date, with retirees separated into two separate categories; the non-contributory plan applies to all persons hired prior to July 1, 2005, while the new contributory plan applies to all employees hired on or after July 1, 2005. Under both plans, a member may retire with full benefits at either the age of 65 with five years of service, or at any age with 28 years of service. The member may retire with reduced benefits at either the age of 55 with five years of service or at any age with 25 years of service. The reduction is equal to one-half of one percent for each month retirement precedes normal retirement age or one-percent for each month below 28 years of actual service, whichever is less. Under the non-contributory plan, the benefit calculation is equal to a factor of 1.72% of the member's final average salary multiplied by the years and months of credited service. Under the new contributory plan, the benefit calculation is equal to a factor of 2.00% of the members final average salary multiplied by the years of credited service. Under each plan, an additional .5% of the member's final average salary is awarded for each year of credited service exceeding 28 years. The minimum monthly benefit is \$150, excluding any age and beneficiary option reductions.

Under both the non-contributory and contributory plan, the member's final average salary is the highest 36 calendar months of covered compensation. In addition, a cost-of-living adjustment of 3% annually is included in the current benefits.

Covered payroll for the clerk was \$87,267 for the fiscal year ended December 31, 2015. There is one retired clerk receiving benefits from APERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the City reported a liability of \$90,125 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to total employee contributions to the Plan of the year for the measurement period. At June 30, 2015, the City's proportion was 0.00489349%, which is an increase of .00002730% from its proportion as of June 30, 2014 of .00486619%.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

For the year ended December 31, 2015, the City recognized pension expense of \$10,799. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,908
Change of assumptions	13,301	-
Changes in proportion	391	-
Net difference between projected and actual earnings on pension plan investments	-	4,472
Contributions subsequent to the measurement date	<u>6,868</u>	<u>-</u>
Total	<u><u>\$ 20,560</u></u>	<u><u>\$ 10,380</u></u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$6,868 will be recognized as a reduction of the net pension liability for the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

Year Ending June 30	
2016	\$ 828
2017	828
2018	828
2019	<u>828</u>
Total	<u><u>\$ 3,312</u></u>

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50 percent
Discount rate	7.50%
Salary increases	3.95% - 9.85%
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on scale BB. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2012. As a result of the 2012 actuarial experience study, the expectation of life after disability was adjusted in the June 30, 2015 actuarial evaluation to more closely reflect actual experience.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. The long-term expected rates of return are shown in the table below:

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	42%	6.82%
International Equity	25%	6.88%
Real Estate Related Assets	12%	3.07%
Absolute Return	5%	3.35%
Domestic Fund	16%	0.83%
Total	100%	

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Discount Rate

In the June 30, 2015 actuarial valuation, a single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption			
	1% Decrease 6.50%	Current Single Rate Assumption 7.50%	1% Increase 8.50%
City's proportionate share of the net pension liability	\$ 148,459	\$ 90,125	\$ 41,612

Fort Smith Public Library – Arkansas Public Employees' Retirement System (Component Unit)

Plan Description

The Fort Smith Public Library (the Organization) participates in the Arkansas Public Employees Retirement Systems (APERS). APERS is a cost-sharing, multiple employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201.

Funding Policy: The Organization contributes an actuarially determined amount to the plan, which was 14.50% of annual covered payroll at December 31, 2015. Contributions made by the Organization were \$198,569 and \$193,238 for the years ended December 31, 2015 and 2014, respectively. Employees are not required to contribute to the plan.

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly⁶. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005	2.03%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- At age 65 with 5 years of service,
- At any age with 28 years actual service,
- At age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- At age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service or at any age with 25 years of actual service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. If a death occurs while in APERS covered employment, member's accumulated contributions are refundable. If a member had 5 years service, monthly benefits are payable instead. The surviving spouse receives a benefit computed as if a member had retired and elected the Joint & 75% Survivor Option. Payment begins immediately. Each dependent receives benefit of 10% of compensation (maximum of 25% for all children). If death occurs after retirement, if total monthly benefit payments equal member's accumulated contributions, the difference is refunded.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 14.76% of compensation for the fiscal year ended December 31, 2015. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

Measurement Date

The collective net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. The Library's proportion at June 30, 2015, was .07559378% which is an increase of .00214173 from its proportion as of June 30, 2014 of .07345205.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	25 years (13 years for District Judges New Plan/Paid Off Old Plan and 20 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-Year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Inflation	3.25% wage inflation; 2.5% price inflation
Salary Increases	3.95% - 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2015 to 2024 were based upon capital market assumptions provided by the plan's investment consultant(s). For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	42%	6.82%
International Equity	25%	6.88%
Real Estate Related Assets	12%	3.07%
Absolute Return	5%	3.35%
Domestic Fund	16%	0.83%
Total	100%	

Single Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher:

	Sensitivity of the Net Pension Liability to the		
	1% Decrease 6.50%	Current Single Rate Assumption 7.50%	1% Increase 8.50%
City's proportionate share of the net pension liability	\$ 2,293,372	\$ 1,392,236	\$ 642,808

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At December 31, 2015, the Library reported a liability of \$1,392,236 for its proportionate share of the net pension liability.

The Organization's proportionate share of pension expense was \$173,666 for the year ended December 31, 2015. At December 31, 2015, the Organization reported deferred outflows or resources and deferred inflows of resources related to pensions from the following resources:

Library

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 90,267
Change of assumptions	266,290	-
Net difference between projected and actual earnings on pension plan investments	-	349,094
Changes in proportion	22,105	
Organization contributions subsequent to the measurement date	95,945	-
Total	<u>\$ 384,340</u>	<u>\$ 439,361</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

\$95,945 reported as deferred outflows of resources related to pensions resulting from Organization contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Changes in Proportion and Contributions	Differences in Experience	Changes in Assumptions	Differences in Earnings	Net Reduction in Pension Expense
2016	\$ 8,511	\$ (22,734)	\$ 71,547	\$ (95,794)	\$ (38,470)
2017	8,511	(22,734)	71,547	(95,794)	(38,470)
2018	5,083	(22,734)	71,547	(95,794)	(41,898)
2019	-	(20,134)	47,304	(54,805)	(27,635)
2020	-	(1,931)	4,345	(6,907)	(4,493)
	<u>\$ 22,105</u>	<u>\$ (90,267)</u>	<u>\$ 266,290</u>	<u>\$ (349,094)</u>	<u>\$ (150,966)</u>

(c) Fire Relief and Pension Plan ("FRPF") (the Old Fire Plan)

Plan Description

The Fire Relief and Pension Plan ("FRPF") is an agent multiple-employer defined benefit pension plan for employees of the Fire Department who were hired prior to January 1, 1983. The Old Plan was established in accordance with Arkansas statutes and were closed, by state law, to new employees effective January 1, 1983. On September 20, 1990, the City entered into an agreement with the Arkansas local police and fire (LOPFI) retirement system whereby LOPFI assumed responsibility for administration and a portion of the obligation of the Old Plans pursuant to Act 364 of 1981, as amended, and Act 655 of 1983 of the General Assembly of the State of Arkansas. Per the Agreement between the City and LOPFI, the City will contribute an actuarially determined rate sufficient to support the current plan benefit levels and fund the Old Fire Plan's net pension obligation over a 30 year open amortization period. The Old Fire Plan's benefit structure remains unchanged under the administration by LOPFI. The Old Fire Plan issue separate stand-alone financial statements and can be obtained from the Arkansas Local Police and Fire Retirement System, 620 West 3rd Street, Little Rock, Arkansas, 72201.

Benefits

The FRPF provides retirement benefits for firemen who have completed 20 years of service. Disability benefits are available to firemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside the fire department. The FRPF also provides benefits for surviving spouses and dependent children of deceased firemen. No participants' benefits vest until normal retirement age. At normal requirement age, participants may elect to continue working and enter the Deferred Retirement Option Plan for up to 5 years. All firemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981 and detailed later in this footnote. Therefore, the Firemen's Fund is effectively closed to new members.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Pension benefit provisions and all other requirements, including vesting, are established by state statute. Participants in the Old Fire Plan became eligible for membership as of the first date of employment. Members of the Old Fire Plan who retire with 20 years of credited service are entitled to a retirement benefit payable monthly for life equal to one-half of the participant's annual salary. Employees become vested after 20 years of service. Members with more than 25 years of service credit may be entitled to a maximum of 100% of their highest annual salary.

At the December 31, 2014 valuation and measurement date, the following were covered by the benefit terms:

Retirees and beneficiaries	119
DROP members	<u>2</u>
Total	<u><u>121</u></u>

Contributions

Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year and, over a reasonable period of time, to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. In addition, active employees are required to make contributions equal to 6% of their gross salary to the Old Plans. The contributions for the 2015 plan year were based upon the December 31, 2014, actuarial report. Contributions to the Plan by the City were \$1,609,084 for the year ended December 31, 2015.

Net Pension Liability

The City's net pension liability of \$17,828,703 as of December 31, 2015 was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014.

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement for the Old Fire Plan:

Valuation date	December 31, 2014
Cost method	Entry age normal
Asset valuation method	Smooth market over a period of 5 years
Amortization method	Level percentage
Amortization period	23 years closed

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Assumptions:

Inflation rate - price	3.0%
Wage inflation	4.0%
Investment rate of return	8.0%
Projected salary increases	4.5% - 19%, including inflation
Postemployment benefit increases	3.0%

Mortality rates for retirees, beneficiaries, and DROP members were based on the gender distinct RP-2000 Combined Mortality Table, projected to 017 and set forward two years for males. For disabled members, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in FRPF was for the period January 1, 2008 through December 31, 2011, first used in the December 31, 2012 valuation. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return. The rates were built on a target allocation for all pension funds; the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The long-term expected rates of return are shown in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Fixed Income	30%	2.97%
International Fixed Income	6%	1.50%
Domestic Equity	33%	5.88%
Foreign Equity	7%	6.25%
Index	11%	6.73%
Alternative Investments	10%	6.13%
Cash	3%	-0.40%
Total	100%	

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of retired and DROP members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at January 1, 2015	\$ 34,879,595	\$ 17,186,694	\$ 17,692,901
Changes for the year:			
Interest	2,601,031	-	2,601,031
Differences between expected and actual experience	385,846	-	385,846
Contributions - employer	-	1,741,331	(1,741,331)
Contributions - employee	-	5,118	(5,118)
Net investment income	-	1,131,513	(1,131,513)
Benefit payments, including refunds of employee contributions	(4,733,419)	(4,733,419)	-
Other changes	-	(26,887)	26,887
Net Changes	(1,746,542)	(1,882,344)	135,802
Balance at December 31, 2015	<u>\$ 33,133,053</u>	<u>\$ 15,304,350</u>	<u>\$ 17,828,703</u>

Sensitivity of the Net Pension Liability to the Changes in the Discount Rate

The following table presents the net pension liability for the City using the current rate as compared to what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage higher than the current rate:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 7.00%	Current Single Rate Assumption 8.00%	1% Increase 9.00%
City's Net Pension Liability	<u>\$ 20,790,015</u>	<u>\$ 17,828,703</u>	<u>\$ 15,295,648</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Old Fire Plan financial report.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the City recognized pension expense of \$1,778,839.

At December 31, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 98,294
Contributions subsequent to the measurement date	1,609,084
	<hr/>
Total	\$ 1,707,378
	<hr/> <hr/>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,609,084 will be recognized as a reduction of the net pension liability for the year ending December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December	
	<hr/>
2016	\$ 24,574
2017	24,574
2018	24,574
2019	24,572
	<hr/>
Total	\$ 98,294
	<hr/> <hr/>

Arkansas LOPFI plan administration policy, as required by state statutes, contains the following provisions: segregate all of the plan's retired participants and fund future benefit payments at 100%; remove these retirees as City obligations while the City realizes the remaining, net unfunded obligation on the segregated retirees; amortize these funded, accrued liabilities over a closed period of 40 years that began September 20, 1990; if the length of the financing period for unfunded liabilities causes closed plan assets to temporarily dip below zero, Arkansas LOPFI would loan the shortages until the financing period is complete as, at that time, Arkansas LOPFI will have been fully reimbursed including investment credits.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

(d) Police Relief and Pension Plan ("PRPF") (the Old Police Plan)

Plan Description

The Police Relief and Pension Plan ("PRPF") is an agent multiple-employer defined benefit pension plans for employees of the Police Department who were hired prior to January 1, 1983. The Old Plans were established in accordance with Arkansas statutes and were closed, by state law, to new employees effective January 1, 1983. On September 20, 1990, the City entered into an agreement with the Arkansas Local Police and Fire (LOPFI) Retirement System whereby LOPFI assumed responsibility for administration and a portion of the obligation of the Old Police Plan pursuant to Act 364 of 1981, as amended, and Act 655 of 1983 of the General Assembly of the State of Arkansas. Per the Agreement between the City and LOPFI, the City will contribute an actuarially determined rate sufficient to support the current plan benefit levels and fund the Old Police Plan's net pension obligation over a 30-year open amortization period. The Old Police Plan's benefit structure remains unchanged under the administration by LOPFI. The Old Police Plans issue separate stand-alone financial statements and can be obtained from the Arkansas Local Police and Fire Retirement System, 620 West 3rd Street, Little Rock, Arkansas, 72201.

Benefits

The PRPF provides retirement benefits for policemen who have completed 20 years of service. Disability benefits are available to policemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside the police department. The PRPF also provides benefits for surviving spouses and dependent children of deceased policemen. No participants' benefits vest until normal retirement age. At normal requirement age, participants may elect to continue working and enter the Deferred Retirement Option Plan for up to 5 years. All firemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981 and detailed later in this footnote. Therefore, the Firemen's Fund is effectively closed to new members.

Pension benefit provisions and all other requirements, including vesting, are established by state statute. Participants in the Old Plans became eligible for membership as of the first date of employment. Members of the Old Plans who retire with 20 years of credited service are entitled to a retirement benefit payable monthly for life equal to one-half of the participant's annual salary. Employees become vested after 20 years of service. Members with more than 25 years of service credit may be entitled to a maximum of 100% of their highest annual salary.

At the December 31, 2014 valuation and measurement date, the following were covered by the benefit terms:

Retirees and beneficiaries	91
	<hr/>
Total	91
	<hr/>

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Contributions

Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year and, over a reasonable period of time, to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. In addition, active employees are required to make contributions equal to 6% of their gross salary to the Old Police Plan. The contributions for the 2015 plan year were based upon the December 31, 2014, actuarial report. Contributions by the City to the Plan for the year ended December 31, 2015 were \$1,372,907.

Net Pension Liability

The City's net pension liability of \$16,818,160 as of December 31, 2015 was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014.

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement for the Old Police Plan.

Valuation date	December 31, 2014
Cost method	Entry age
Asset valuation method	Smooth market over a period of 5 years
Amortization method	Level percentage
Amortization period	23 years closed

Assumptions:

Inflation rate	3.0%
Investment rate of return	8.0%
Projected salary increases	4.5%
Postemployment benefit increases	3.0%

Mortality rates for retirees, beneficiaries, and DROP members were based on the gender distinct RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for males. For disabled members, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in PRPF was for the period January 1, 2008 through December 31, 2011, first used in the December 31, 2012 valuation. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return. The rates were built on a target allocation for all pension funds; the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The long-term expected rates of return are shown in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Fixed Income	30%	2.97%
International Fixed Income	6%	1.50%
Domestic Equity	33%	5.88%
Foreign Equity	7%	6.25%
Index	11%	6.73%
Alternative Investments	10%	6.13%
Cash	3%	-0.40%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of retired and DROP members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at January 1, 2015	\$ 25,426,159	\$ 9,001,757	\$ 16,424,402
Changes for the year:			
Interest	1,944,283	-	1,944,283
Differences between expected and actual experience	614,152	-	614,152
Contributions - employer	-	1,554,845	(1,554,845)
Contributions - employee	-	490	(490)
Net investment income	-	624,174	(624,174)
Benefit payments, including refunds of employee contributions	(2,245,252)	(2,245,252)	-
Other changes	-	(14,832)	14,832
Net Changes	313,183	(80,575)	393,758
Balance at December 31, 2015	\$ 25,739,342	\$ 8,921,182	\$ 16,818,160

Sensitivity of the Net Pension Liability to the Changes in the Discount Rate

The following table presents the net pension liability for the City using the current rate as compared to what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage higher than the current rate:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 7.00%	Current Single Rate Assumption 8.00%	1% Increase 9.00%
City's Net Pension Liability	\$ 19,058,897	\$ 16,818,160	\$ 14,604,128

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Old Police Plan financial report.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the City recognized pension expense of \$1,894,381.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

At December 31, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 54,222
Contributions subsequent to the measurement date	<u>1,372,907</u>
Total	<u><u>\$ 1,427,129</u></u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,372,907 will be recognized as a reduction of the net pension liability for the year ending December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December	
2016	\$ 13,555
2017	13,555
2018	13,555
2019	<u>13,557</u>
Total	<u><u>\$ 54,222</u></u>

Arkansas LOPFI plan administration policy, as required by state statutes, contains the following provisions: segregate all of the plan's retired participants and fund future benefit payments at 100%; remove these retirees as City obligations while the City realizes the remaining, net unfunded obligation on the segregated retirees; amortize these funded, accrued liabilities over a closed period of 40 years that began September 20, 1990; if the length of the financing period for unfunded liabilities causes closed plan assets to temporarily dip below zero, Arkansas LOPFI would loan the shortages until the financing period is complete as, at that time, Arkansas LOPFI will have been fully reimbursed including investment credits.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

(e) Arkansas Local Police and Fire Retirement System (the New Plans)

Plan Description

The Arkansas Local Police and Fire Retirement System (LOPFI) is a statewide cost-sharing multiple-employer defined benefit pension plan administered by the LOPFI Board of Trustees. LOPFI provides retirement, disability and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 General Assembly. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981, are eligible to participate in the plan. LOPFI issues a publicly available report, which may be obtained by writing to LOPFI, 620 West 3rd Street, Little Rock, Arkansas 72201, or by calling (501) 682-1745.

Benefits Provided

LOPFI provides for a retirement benefit paid to the Member on a monthly basis. The monthly benefit is based on a formula provided by law for the Member's lifetime. The Member has several options in calculating the benefit, which is normally the result of these factors: age of retirement, retirement multiplier, amount of the credit services (years and months), and final average pay (FAP). Each option available to the member provides for a different calculation based on these factors.

Contributions

Contributions to LOPFI are made by both the Member and the employers. Member contribution rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis. The City contributes 38.94% of covered employee salaries' to the new plan for firefighters and 31.36% of covered employee salaries' to the new plan for police officers. Employees contributed \$1,466,587 to the contributory plan for the year ended December 31, 2015. City contributions to the new plans for the year ended December 31, 2015, were \$3,043,184 and were equal to 100% of the required contributions for each year.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the City reported a liability of \$17,804,470 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period. At December 31, 2014, the City's proportion was 4.9183 percent which was unchanged from the prior year.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

For the year ended, December 31, 2015, the City recognized pension expense of \$2,877,111. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13,754
Net difference between projected and actual earnings on pension plan investments	375,381	-
Contributions subsequent to the measurement date	<u>3,043,184</u>	<u>-</u>
Total	<u><u>\$ 3,418,565</u></u>	<u><u>\$ 13,754</u></u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$3,043,184 will be recognized as a reduction of the net pension liability for the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

Year Ending December	
2016	\$ 90,269
2017	90,269
2018	90,269
2019	<u>90,820</u>
Total	<u><u>\$ 361,627</u></u>

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Price Inflation	3.0 percent
Wage Inflation	4.0 percent

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a scale AA.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial study for the period January 1, 2014 to December 31, 2014. As a result of the 2014 actuarial study, the expectation of life after disability was adjusted in the December 31, 2014 actuarial evaluation to more closely reflect actual experience.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return. The rates were built on a target allocation for all pension funds; the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The long-term expected rates of return are shown in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Fixed Income	30%	2.97%
International Fixed Income	6%	1.50%
Domestic Equity	33%	5.88%
Foreign Equity	7%	6.25%
Index	11%	6.73%
Alternative Investments	10%	6.13%
Cash	3%	-0.40%
Total	100%	

Discount Rate

In the December 31, 2014 actuarial valuation, a single discount rate of 8.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 8.0%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Sensitivity of the City's Proportionate Share of the Net Pension Liability to the Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption			
	1% Decrease 7.00%	Current Single Rate Assumption 8.00%	1% Increase 9.00%
City's proportionate share of the net pension liability	\$ 31,354,758	\$ 17,804,470	\$ 6,703,510

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LOPFI financial report.

Note 8: Other Postemployment Benefits (OPEB)

Plan Description

The City of Fort Smith sponsors and administers an informal single-employer defined benefit healthcare plan that provides coverage for medical, dental and vision benefits. Arkansas statute provides that any municipal city official or employee vested in any of the City's retirement plans with 20 years of service and attains 55 years of age may continue to participate in the City's healthcare plan after retirement. In addition, members employed at least 5 years with age plus service exceeding 70 at retirement are eligible for benefits. The State of Arkansas has the authority to establish and amend the requirements of this statute. The City does not issue stand-alone financial statements of the plan but all required information is presented in this report.

Contributions: The contribution requirements of plan members are established by City Council and may be amended as needed. Plan members pay the entire cost of monthly insurance premiums at the same rate charged to active employees and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plans. Employees are required to elect the coverage at the time of termination. The City is not required to make contributions to the plan on behalf of the retirees. The plan has 876 active participants and 26 retirees and beneficiaries receiving benefits who pay monthly premiums between \$459 for single coverage and \$1,289 for family coverage. Administrative costs of the plan are financed through investment earnings and employer contributions.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Summary of Significant Accounting Policies

Basis of Accounting: The financial statements of the plan are presented as a trust fund in the City's Comprehensive Annual Financial Report (CAFR) and are prepared on the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments: Fund investments are reported at fair value. The City's investment policies are defined in *Note 1* of the financial statements.

Funded Status and Funding Progress

Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$ 4,955,257
Adjustment to ARC	(1,373,204)
Interest on net OPEB obligation	<u>1,031,922</u>
Annual OPEB cost	4,613,975
Total annual employer contribution	<u>167,607</u>
Increase in net OPEB obligation	4,446,368
Net OPEB obligation - beginning of year	<u>21,724,664</u>
Net OPEB obligation - end of year	<u><u>\$ 26,171,032</u></u>

The net OPEB obligation is recorded in the government-wide statement of net position as non-current liabilities due in more than one year for governmental activities at \$17,639,276 and for business-type activities at \$8,531,756. Furthermore, the obligation for business-type activities is reflected on the statement of fund net position for proprietary funds as non-current liabilities for the Water and Sewer Fund (\$5,966,995) and for the Sanitation Fund (\$2,564,761).

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

The components of the annual required contribution (ARC) calculation reflecting a 30 year amortization period is as follows:

Normal cost	\$ 2,485,299
Amortization cost	2,267,254
Interest adjustment	<u>202,704</u>
Annual required contribution	<u><u>\$ 4,955,257</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014, and 2013 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$ 4,613,975	4.05%	\$ 26,171,032
12/31/2014	3,902,856	0.26%	21,724,664
12/31/2013	4,807,529	1.90%	17,832,005

Funded Status and Funding Progress: As of January 1, 2014, the most recent actuarial valuation date, the plan was 4.1% funded. The actuarial accrued liability for benefits was \$35,992,306, and the actuarial value of assets was \$1,483,531, resulting in an unfunded actuarial accrued liability (UAAL) of \$34,508,775. The covered payroll (annual payroll of active employees covered by the plan) was \$42,608,739, and the ratio of the UAAL to the covered payroll was 81.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.75% investment rate of return based upon funding the plan in the future, a 4.75% inflation rate, and an annual healthcare cost trend rate of 10% for 2015 and then reduced by decrements of 0.5% to 1.0% annually to an ultimate rate of 4.5% after seven years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2015, was twenty-three years.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Note 9: Commitments and Contingencies

Litigation

In the course of business, a number of claims and lawsuits arise from individuals seeking compensation for personal injury and/or property damage resulting from accidents occurring in the City. In addition, the City has been named as a defendant in a number of lawsuits relating to personnel and contractual matters. Management does not believe that the outcome of these claims will have a material adverse effect on the City's financial position. The City appropriates funds necessary to meet settlements and awards. The City accrues a liability when it is incurred and when the contingency is probable and reasonably estimable. At December 31, 2015, the City has accrued a liability in the amount of \$- .

Contingencies

The City has received federal and state financial awards in the form of grants and entitlements that are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement by the grantor agency for expenditures disallowed under terms and conditions specified in the grant agreements. In the opinion of City management, such disallowances, if any, will not be significant.

For the past several years, the City previously was subject to various administrative orders issued by the Environmental Protection Agency (EPA) with reference to the sanitary sewer system's ability to adequately handle wet weather flows. The City negotiated with the Department of Justice and a Consent Decree was entered April 6, 2015. A \$300,000 civil penalty has been paid by the City. In 2016, a \$120,900 penalty has been assessed and is under negotiation.

Note 10: Individual Fund Disclosures

Interfund receivables and payables as of December 31, 2015 are as follows:

Fund	Receivables	Payables
Governmental Funds:		
General Fund	\$ 2,295	\$ -
Special Revenue Funds	-	2,388
Proprietary Funds:		
Internal Service Funds	93	-
	<hr/>	<hr/>
Total	\$ 2,388	\$ 2,388
	<hr/> <hr/>	<hr/> <hr/>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Interfund transfers in (out) for the year ended December 31, 2015, is as follows:

Fund	Transfers	
	In	Out
Primary Government -		
Governmental Funds:		
Major funds:		
General Fund	\$ 286,298	\$ 1,678,673
Special revenue -		
Street Maintenance Fund	-	96,575
Sales Tax Fund	-	-
Non-major funds:		
Special revenue	<u>1,547,473</u>	<u>-</u>
Total governmental funds	<u>1,833,771</u>	<u>1,775,248</u>
Proprietary Funds:		
Water and Sewer Fund	-	101,920
Sanitation Fund	81,200	90,610
Internal Service Funds	<u>52,807</u>	<u>-</u>
Total proprietary funds	<u>134,007</u>	<u>192,530</u>
Total primary government	<u><u>\$ 1,967,778</u></u>	<u><u>\$ 1,967,778</u></u>

The transfers out from the General Fund include \$1,547,473 to the Convention Center Fund.

Note 11: Landfill Closure and Postclosure Care Costs

In October 1991, the EPA issued rules and regulations which require the City to place a final cover on its Municipal Solid Waste Landfill (MSWLF) when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for a period of 30 years following closure of the site.

In 1994, the City adopted GASB Statement 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. This statement requires that the City recognize a portion of the closure and postclosure care costs referred to above as an operating expense in each fiscal year based on landfill capacity used as of each fiscal year-end, even though such costs will be paid only near or after the date that the landfill stops accepting waste.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

The City's permitted landfill capacity is 72,607,000 cubic yards. The life of the landfill is projected at 194 years. The landfill was opened on October 9, 1993. The City's reported landfill closure and postclosure care liability at December 31, 2015, is \$4,796,961. The remaining estimated closure and postclosure care costs of approximately \$33.6 million will be recognized as the remaining capacity is filled. The percentage of landfill capacity used to date was approximately 12.0% at December 31, 2015. These amounts are based upon annual engineering estimates of what it would cost to perform all closure and postclosure costs, based on the City's approved closure plan, through December 31, 2015. Actual costs may be significantly higher due to inflation, changes in technology, or changes in regulations by the Arkansas Department of Environmental Quality.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care costs. The amount of financial assurance required by the state as of December 31, 2015, is \$7,906,143. In order to comply with this requirement, BancorpSouth issued an irrevocable standby letter of credit that is pledged to the Arkansas Department of Environmental Quality in the amount of \$7,806,000 at December 31, 2015. The City has also pledged a certificate of deposit investment as collateral for the letter of credit. The City will increase the value of the letter of credit and certificate of deposit held as collateral to meet the required level of financial assurance during 2016.

Note 12: New Applicable GASB Standards

GASB Statement No. 72 – Fair Value Measurement and Application

This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The provisions of GASB 72 are effective for periods beginning after June 15, 2015, and would be applied on a prospective basis. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68

This statement establishes requirements for defined benefit pensions that are not within the scope of GASB 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. Additionally, the statement establishes requirements for defined contribution pensions that are not within the scope of GASB 68 and amends certain provisions of GASB 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The provisions of GASB 73 that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68 are effective for periods beginning after June 15, 2016, and the requirements of this Statement for pension plans that are within the scope of GASB 67 or for pensions that are within the scope of GASB 68 are effective for periods beginning after June 15, 2017. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

This statement replaces GASB 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace requirements for those plans previously followed in GASB 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, GASB 43 and GASB 50, *Pension Disclosures*. The Statement is intended to provide additional information to enhance decision-making, support accountability and create additional transparency in the accounting and financial reporting for these plans. This statement is effective for periods beginning after June 15, 2016. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. This statement also identifies methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to the actuarial present value and attribute the present value to periods of employee service. It replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement, which will result in more robust disclosures and notes is effective for periods beginning after June 15, 2017. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

This statement identifies the hierarchy of generally accepted accounting principles (GAAP) in the current governmental financial reporting environment and reduces the GAAP hierarchy into two categories and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. It supersedes the requirements of GASB 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is effective for periods beginning after June 15, 2015, and should be applied retrospectively. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

GASB Statement No. 77 – Tax Abatement Disclosures

This statement includes the disclosure of additional information allowing financial statement users to be better equipped to understand how tax abatements affect a government's future ability to raise resources and meet its financial obligations and understand the impact that those abatements have on the government's financial position and economic condition. This Statement is effective for periods beginning after December 15, 2015. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

GASB Statement No. 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

This statement addresses a practice issue regarding the scope and applicability of GASB 68, *Accounting and Financial Reporting for Pensions*. This statement amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state and local governmental employees through a cost-sharing multiple-employer defined benefit plan that is not a state or local governmental pension plan, is used to provide defined benefit pensions to both employees of the state and local governmental employers and to employees of employers that are not state or local governmental employers and has no predominant state or local employer, either individually or collectively with other state and local governmental employers that provide pensions through the pension plan. This Statement is effective for periods beginning after December 15, 2015. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

GASB Statement No. 79 – Certain External Investment Pools and Pool Participants

This statement establishes criteria for an external investment pool to qualify for making the election to measure all investments at amortized costs for financial reporting purposes. If an external investment pool does not meet the criteria established by this statement, that pool should apply the provision under paragraph 16 of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. This statement is effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk and shadow pricing, which are effective for periods beginning after December 15, 2015.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

GASB Statement No. 80 – Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14

This statement clarifies the financial statement presentation requirements for certain component units, amending the blending requirements established by paragraph 53 of GASB 44, *The Financial Reporting Entity*, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to GASB 39, *Determining Whether Certain Organizations are Component Units*. This statement is effective for periods beginning after June 15, 2016. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

GASB Statement No. 81 – Irrevocable Split-Interest Agreements

This statement provides recognition and measurement guidance for situations in which the government is a beneficiary of an irrevocable split-interest agreement. This statement is effective for periods beginning after December 15, 2016 and should be applied retroactively. The City does not currently have any irrevocable split-interest agreements and, therefore, does not believe that this statement will have any potential impact on its financial statements.

GASB Statement No. 82 – Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73

This statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for periods beginning after June 15, 2016, except in certain circumstances which extend the application date to the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Note 13: Condensed Financial Statements-Discretely Presented Component Units

The following presents condensed financial statements for each of the four discretely presented component units:

Statement of Net Position
December 31, 2015

	Governmental			Business-Type		
	Advertising and Promotion	Public Library	Total	Parking Authority	Airport Commission	Total
Assets						
Current assets	\$ 230,829	\$ 1,022,868	\$ 1,253,697	\$ 459,705	\$ 2,766,045	\$ 3,225,750
Sales taxes receivable from the City	-	160,576	160,576	-	-	-
Capital assets, net of accumulated depreciation, as applicable	-	713,350	713,350	1,464,925	38,085,913	39,550,838
Noncurrent assets	-	-	-	-	1,094,204	1,094,204
Total assets	230,829	1,896,794	2,127,623	1,924,630	41,946,162	43,870,792
Deferred Outflows of Resources						
Deferred outflow related to pension	-	384,340	384,340	-	-	-
Deferred amount on refunding	-	-	-	-	124,358	124,358
Total deferred outflows of resources	-	384,340	384,340	-	124,358	124,358
Liabilities						
Current liabilities	23,622	51,501	75,123	4,423	384,852	389,275
Noncurrent liabilities	-	1,392,236	1,392,236	517	2,305,000	2,305,517
Total liabilities	23,622	1,443,737	1,467,359	4,940	2,689,852	2,694,792
Deferred Inflows of Resources						
Deferred inflow related to pension	-	439,361	439,361	-	-	-
Total deferred inflows of resources	-	439,361	439,361	-	-	-
Net Position						
Net investment in capital assets	-	713,350	713,350	1,464,408	35,562,188	37,026,596
Restricted	207,207	-	207,207	-	439,518	439,518
Unrestricted	-	(315,314)	(315,314)	455,282	3,378,962	3,834,244
Total net position	\$ 207,207	\$ 398,036	\$ 605,243	\$ 1,919,690	\$ 39,380,668	\$ 41,300,358

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Statement of Activities
For the Year Ended December 31, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Governmental Activities		
				Advertising and Promotion	Public Library	Total
Advertising/Promotion	\$ 791,679	\$ -	\$ 3,960	\$ (787,719)	\$ -	\$ (787,719)
Public Library	3,169,957	184,202	153,007	-	(2,832,748)	(2,832,748)
Total	<u>\$ 3,961,636</u>	<u>\$ 184,202</u>	<u>\$ 156,967</u>	<u>(787,719)</u>	<u>(2,832,748)</u>	<u>(3,620,467)</u>
General revenues						
Property taxes				-	1,385,441	1,385,441
Sales taxes				-	965,455	965,455
Hospitality hotel/motel taxes				800,086	-	800,086
Unrestricted investments earnings				486	948	1,434
Other				-	233,736	233,736
Total general revenues				<u>800,572</u>	<u>2,585,580</u>	<u>3,386,152</u>
Change in net position				<u>12,853</u>	<u>(247,168)</u>	<u>(234,315)</u>
Net position, beginning, as previously stated				194,354	1,867,631	2,061,985
GASB 68 implementation adjustment				-	(1,222,427)	(1,222,427)
Net position, beginning, restated				<u>194,354</u>	<u>645,204</u>	<u>839,558</u>
Net position, ending				<u>\$ 207,207</u>	<u>\$ 398,036</u>	<u>\$ 605,243</u>

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Capital Grants and Contributions	Business-Type Activities		
				Parking Authority	Airport Commission	Total
Parking Authority	\$ 364,935	\$ 186,353	\$ -	\$ (178,582)	\$ -	\$ (178,582)
Airport Commission	4,936,659	2,710,240	4,788,634	-	2,562,215	2,562,215
Total	<u>\$ 5,301,594</u>	<u>\$ 2,896,593</u>	<u>\$ 4,788,634</u>	<u>(178,582)</u>	<u>2,562,215</u>	<u>2,383,633</u>
General revenues						
Unrestricted investment earnings				1,539	11,903	13,442
Total general revenues				<u>1,539</u>	<u>11,903</u>	<u>13,442</u>
Change in net position				<u>(177,043)</u>	<u>2,574,118</u>	<u>2,397,075</u>
Net position, beginning				<u>2,096,733</u>	<u>36,806,550</u>	<u>38,903,283</u>
Net position, ending				<u>\$ 1,919,690</u>	<u>\$ 39,380,668</u>	<u>\$ 41,300,358</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2015

Note 14: Adoption of GASB 68

The GASB has issued the following statement which became effective for the fiscal year 2015.

Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* – This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for an actuarially unfunded portion of pension benefits earned to date.

The implementation of GASB Statements No. 68 and 71 (as discussed in *Note 1*) resulted in the restatement of beginning net position for the recording of the beginning net pension liability/asset, and the beginning deferred outflows/inflows or resources.

	Government- wide Statement of Activities
	Governmental Activities
Net Position at January 1, 2015, as previously reported	\$ 356,962,492
Recording of net pension liability as of January 1, 2015	(51,601,646)
Recording of beginning deferred inflows/outflows of resources as of January 1, 2015	5,797,481
Prior period adjustment (<i>Note 15</i>) as of January 1, 2015	<u>(2,198,524)</u>
Net position at January 1, 2015, as restated	<u><u>\$ 308,959,803</u></u>

Fort Smith Public Library – Implementation of GASB 68

The effect of adopting GASB 68 was to reduce unrestricted net position as of January 1, 2015 by \$1,222,427 for beginning net pension liability and related deferrals.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2015

Note 15: Prior Period Adjustment

The City recorded prior period adjustments in 2015 to correct errors noted in the calculation of the accumulated depreciation in prior years using the City's depreciation schedules. Beginning net position of the City was restated for the prior period adjustments as follows:

	Governmental Activities			Business-type Activities		
	As Originally Reported	As Restated	Effect of Change	As Originally Reported	As Restated	Effect of Change
Statement of Net Position						
Assets						
Capital Assets, net						
Depreciable	\$ 343,913,843	\$ 341,715,319	\$ (2,198,524)	\$ 478,834,982	\$ 468,218,976	\$ (10,616,006)
Total Assets	<u>\$ 343,913,843</u>	<u>\$ 341,715,319</u>	<u>\$ (2,198,524)</u>	<u>\$ 478,834,982</u>	<u>\$ 468,218,976</u>	<u>\$ (10,616,006)</u>
Net Position						
Unrestricted	\$ (39,290,520)	\$ (41,489,044)	\$ (2,198,524)	\$ 45,084,088	\$ 34,468,082	\$ (10,616,006)
Total Net Position	<u>\$ (39,290,520)</u>	<u>\$ (41,489,044)</u>	<u>\$ (2,198,524)</u>	<u>\$ 45,084,088</u>	<u>\$ 34,468,082</u>	<u>\$ (10,616,006)</u>

	Proprietary Funds					
	Water & Sewer Fund			Sanitation Fund		
	As Originally Reported	As Restated	Effect of Change	As Originally Reported	As Restated	Effect of Change
Statement of Fund Net Position						
Assets						
Capital Assets						
Less accumulated depreciation	\$ (192,672,874)	\$ (200,512,251)	\$ (7,839,377)	\$ (27,315,743)	\$ (30,092,372)	\$ (2,776,629)
Total Assets	<u>\$ (192,672,874)</u>	<u>\$ (200,512,251)</u>	<u>\$ (7,839,377)</u>	<u>\$ (27,315,743)</u>	<u>\$ (30,092,372)</u>	<u>\$ (2,776,629)</u>
Net Position						
Unrestricted	\$ 34,426,263	\$ 26,586,886	\$ (7,839,377)	\$ 10,322,401	\$ 7,545,772	\$ (2,776,629)
Total Net Position	<u>\$ 34,426,263</u>	<u>\$ 26,586,886</u>	<u>\$ (7,839,377)</u>	<u>\$ 10,322,401</u>	<u>\$ 7,545,772</u>	<u>\$ (2,776,629)</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Fort Smith, Arkansas
Required Supplementary Information
Agent Multiple-Employer Plan
Schedule of the City's Net Pension
Liability and Related Ratios – FRPF (the Old Fire Plan)

Fiscal year ended December 31,	<u>2015</u>
Total Pension Liability	
Service Cost	\$ -
Interest	2,601,031
Benefit Changes	-
Difference between expected and actual experience	385,846
Assumption Changes	-
Benefit Payments, including refunds of employee contributions	<u>(4,733,419)</u>
Net Change in Total Pension Liability	(1,746,542)
Total Pension Liability - Beginning	<u>34,879,595</u>
Total Pension Liability - Ending (a)	<u><u>\$ 33,133,053</u></u>
Plan Fiduciary Net Position	
Contributions - Employer*	\$ 1,741,331
Contributions - Member	5,118
Net Investment Income	1,131,513
Benefit Payments, including refunds of employee contributions	(4,733,419)
Administrative Expense	(26,887)
Deferred Retirement Option Distributions	-
Reconciliation Adjustment	<u>-</u>
Net Change in Plan Fiduciary Net Position	(1,882,344)
Plan Fiduciary Net Position - Beginning	<u>17,186,694</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 15,304,350</u></u>
City's Net Pension Liability (a) - (b)	<u><u>\$ 17,828,703</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	46.19%
Covered Employee Payroll	\$ -
City's Net Pension Liability as a Percentage of Covered Employee Payroll	N/A

* Includes assets reported as State Insurance Tax Turnback Money

Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Fort Smith, Arkansas
Required Supplementary Information
Agent Multiple-Employer Plan
Schedule of the City's Pension
Contributions – FRPF (the Old Fire Plan)

<u>Plan Fiscal year ended December 31,</u>	<u>2015</u>
Actuarially required contribution	\$ 1,609,084
Contributions in relation to the actuarially required contribution	<u>1,609,084</u>
Contribution deficiency (excess)	<u>\$ 3,218,168</u>
City's covered-employee payroll	\$ 156,943
Contributions as a percentage of covered-employee payroll	1025.27%

Key Assumptions for ADC

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Individual Entry-Age Normal
Amortization Method	Closed Amortization Period based on projected future payroll
Remaining Amortization Period	22 years beginning January 1, 2016
Asset Valuation Method	5-Year smoothed market; 20% corridor (for funding purposes)
Price Inflation	3.00%
Salary Increases	4.00%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	8.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2008-2011.
Mortality	RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for men. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes	There were no benefit changes during the year
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Information in this schedule has been determined as of the City's most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Fort Smith, Arkansas
Required Supplementary Information
Agent Multiple-Employer Plan
Schedule of the City's Net Pension
Liability and Related Ratios – PRPF (the Old Police Plan)

Fiscal year ended December 31,	<u>2015</u>
Total Pension Liability	
Service Cost	\$ -
Interest	1,944,283
Benefit Changes	-
Difference Between Actual & Expected Experience	614,152
Assumption Changes	-
Benefit Payments, including refunds of employee contributions	<u>(2,245,252)</u>
Net Change in Total Pension Liability	313,183
Total Pension Liability - Beginning	<u>25,426,159</u>
Total Pension Liability - Ending (a)	<u><u>\$ 25,739,342</u></u>
Plan Fiduciary Net Position	
Contributions - Employer*	\$ 1,554,845
Contributions - Member	490
Net Investment Income	624,174
Benefit Payments, including refunds of employee contributions	(2,245,252)
Administrative Expense	(14,832)
Deferred Retirement Option Distributions	-
Reconciliation Adjustment	<u>-</u>
Net Change in Plan Fiduciary Net Position	(80,575)
Plan Fiduciary Net Position - Beginning	<u>9,001,757</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 8,921,182</u></u>
City's Net Pension Liability (a) - (b)	<u><u>\$ 16,818,160</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	34.66%
Covered Employee Payroll	\$ -
City's Net Pension Liability as a Percentage of Covered Employee Payroll	N/A

* Includes assets reported as State Insurance Tax Turnback Money

Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Fort Smith, Arkansas
Required Supplementary Information
Agent Multiple-Employer Plan
Schedule of the City's Pension
Contributions – PRPF (the Old Police Plan)

<u>Plan Fiscal year ended December 31,</u>	<u>2015</u>
Actuarially required contribution	\$ 1,372,907
Contributions in relation to the actuarially required contribution	<u>(1,372,907)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ -
Contributions as a percentage of covered-employee payroll	N/A

Key Assumptions for ADC

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Individual Entry-Age Normal
Amortization Method	Closed Amortization Period based on projected future payroll
Remaining Amortization Period	22 years beginning January 1, 2016
Asset Valuation Method	5-Year smoothed market; 20% corridor (for funding purposes)
Price Inflation	3.00%
Salary Increases	4.00%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	8.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2008-2011.
Mortality	RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for men. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes	There were no benefit changes during the year
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Information in this schedule has been determined as of the City's most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Fort Smith, Arkansas
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net
Pension Liability – LOPFI (the New Plans)
Year Ended December 31, 2015

City's proportion of the net pension liability	4.9183%
City's proportionate share of the net pension liability	\$ 17,804,470
City's covered-employee payroll	\$ 8,569,562
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	207.76%
Plan fiduciary net position as a percentage of the total pension liability	79.14%

Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Fort Smith, Arkansas
Required Supplementary Information
Schedule of City's Contributions – LOPFI (the New Plans)
Year Ended December 31, 2015

Actuarially required contribution	\$ 3,043,184
Contributions in relation to the actuarially required contribution	<u>(3,043,184)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
City's covered-employee payroll	\$ 8,569,562
Contributions as a percentage of covered-employee payroll	35.51%

Information in this schedule has been determined as of the City's most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Fort Smith, Arkansas
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net
Pension Liability – APERS
Year Ended December 31, 2015

City's proportion of the net pension liability	0.0049%
City's proportionate share of the net pension liability	\$ 90,125
City's covered-employee payroll	\$ 87,267
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	103.27%
Plan fiduciary net position as a percentage of the total pension liability	80.39%

Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Fort Smith, Arkansas
Required Supplementary Information
Schedule of City's Contributions – APERS
Year Ended December 31, 2015

Actuarially required contribution	\$ 12,815
Contributions in relation to the actuarially required contribution	<u>(12,815)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
City's covered-employee payroll	\$ 87,267
Contributions as a percentage of covered-employee payroll	14.68%

Information in this schedule has been determined as of the City's most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Fort Smith, Arkansas
Required Supplementary Information
Fort Smith Public Library - APERS
Year Ended December 31, 2015

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios Last Fiscal Year

	<u>2014</u>	<u>2015</u>
Organization's proportion of the net pension liability(asset)	0.07345205%	0.07559378%
Organization's proportionate share of the net pension liability	\$ 1,042,220	\$ 1,392,236
Organization's covered-employee payroll	\$ 1,298,642	\$ 1,345,315
Organization's proportionate share of the net pension liability as a percentage of its covered-employee payroll	80.25%	103.49%
Plan fiduciary net position as a percentage of the total pension liability	84.21%	80.39%

Schedule of Library Contributions Last Fiscal Year

	<u>2014</u>	<u>2015</u>
Actuarially required contribution	\$ 193,238	\$ 198,569
Contributions in relation to the actuarially required contribution	<u>(193,238)</u>	<u>(198,569)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Organizatin's covered-employee payroll	\$ 1,298,642	\$ 1,345,315
Contributions as a percentage of covered-employee payroll	14.88%	14.76%

Notes to Schedules:

Only the two fiscal years are presented because 10-year data is not yet available.

City of Fort Smith, Arkansas
Required Supplementary Information
Analysis of Funding Progress – OPEB Plan

	(1)	(2)	(3)	(4)	(5)	(6)
				Total Funded Excess (Unfunded) Actuarial Liability (1) - (2)	Annual Covered Payroll	Ratio of Funded Excess (Unfunded) Actuarial Liability to Annual Covered Payroll (4)/(5)
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funded Ratio (1)/(2)			
Other Postemployment Benefit Plan (OPEB)						
2015	\$ 1,459,584	\$ 34,532,722	4.2%	\$ (33,073,138)	\$ 44,066,409	-75.1%
2014	1,483,531	35,992,306	4.1%	(34,508,775)	42,608,739	-81.0%
2013	1,459,584	27,401,372	5.3%	(25,941,788)	42,584,483	-60.9%
2012	1,499,451	34,363,100	4.4%	(32,863,649)	40,638,488	-80.9%

City of Fort Smith, Arkansas
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP	Budget	Budget	Final Budget
			Basis	Basis	Basis	
Revenues						
Taxes	\$ 7,003,700	\$ 6,936,100	\$ 6,885,174	\$ -	\$ 6,885,174	\$ (50,926)
Sales taxes	20,545,538	21,106,000	21,185,214	-	21,185,214	79,214
Licenses and permits	1,462,400	1,480,500	1,446,284	-	1,446,284	(34,216)
Utility franchise fees	6,796,600	6,458,000	6,388,844	-	6,388,844	(69,156)
Intergovernmental	4,158,020	3,881,687	4,165,519	-	4,165,519	283,832
Fines and forfeitures	2,225,000	2,150,000	2,368,501	-	2,368,501	218,501
Fees for services	663,623	654,940	591,672	-	591,672	(63,268)
Interest	25,000	23,000	21,303	-	21,303	(1,697)
Contributions	-	-	1,068,355	-	1,068,355	1,068,355
Miscellaneous	95,363	63,163	234,189	-	234,189	171,026
Total revenues	42,975,244	42,753,390	44,355,055	-	44,355,055	1,601,665
Expenditures						
Current:						
General government						
Administration	3,885,128	3,840,035	1,965,962	5,950	1,971,912	1,868,123
Legal	2,038,370	2,039,305	1,956,247	-	1,956,247	83,058
Finance	2,276,321	2,272,047	1,094,212	5,160	1,099,372	1,172,675
Public safety						
Police	16,046,390	15,499,719	15,876,483	-	15,876,483	(376,764)
Fire	13,148,850	13,052,331	12,592,775	937,465	13,530,240	(477,909)
Community services						
Health and social services	126,430	126,430	116,395	-	116,395	10,035
Parks and recreation	2,800,990	2,618,076	2,305,755	45,000	2,350,755	267,321
Transit	2,361,160	2,228,580	2,149,328	10,000	2,159,328	69,252
Other	1,529,860	1,597,650	1,573,070	-	1,573,070	24,580
Capital outlay	3,034,383	6,625,514	5,539,074	2,379,452	7,918,526	(1,293,012)
Total expenditures	47,247,882	49,899,687	45,169,301	3,383,027	48,552,328	1,347,359
Excess (deficiency) of revenues over (under) expenditures	(4,272,638)	(7,146,297)	(814,246)	(3,383,027)	(4,197,273)	2,949,024
Other Financing Sources (Uses):						
Transfers in	2,991,310	2,991,310	286,298	-	286,298	(2,705,012)
Transfers out	(867,000)	(1,628,673)	(1,678,673)	-	(1,678,673)	(50,000)
Total other financing sources and uses	2,124,310	1,362,637	(1,392,375)	-	(1,392,375)	(2,755,012)
Net change in fund balances	(2,148,328)	(5,783,660)	(2,206,621)	(3,383,027)	(5,589,648)	194,012
Fund Balances, January 1	5,611,772	11,677,052	11,677,052	-	11,677,052	-
Fund Balances, December 31	\$ 3,463,444	\$ 5,893,392	\$ 9,470,431	\$ (3,383,027)	\$ 6,087,404	\$ 194,012

City of Fort Smith, Arkansas
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Street Maintenance Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP	Budget	Budget	Final Budget
			Basis	Basis	Basis	
Revenues						
Taxes	\$ 2,097,120	\$ 2,060,120	\$ 2,038,141	\$ -	\$ 2,038,141	\$ (21,979)
Licenses and permits	165,000	135,000	163,270	-	163,270	28,270
Intergovernmental	5,612,206	5,340,000	5,786,833	-	5,786,833	446,833
Interest	3,500	3,900	3,415	-	3,415	(485)
Miscellaneous	5,000	22,125	39,299	-	39,299	17,174
Total revenues	7,882,826	7,561,145	8,030,958	-	8,030,958	469,813
Expenditures						
Current:						
General government						
Administration	228,948	223,297	207,021	500	207,521	15,776
Legal	75,500	75,500	83,240	-	83,240	(7,740)
Finance	359,412	367,986	341,801	7,660	349,461	18,525
Public works						
Operations	515,550	497,629	474,825	-	474,825	22,804
Streets	3,837,180	3,820,170	3,887,507	-	3,887,507	(67,337)
Traffic control	2,093,440	2,117,320	2,040,635	-	2,040,635	76,685
Community services						
Parks and recreation	240,460	242,532	228,911	-	228,911	13,621
Other	35,000	35,000	-	-	-	35,000
Capital Outlay	660,183	652,700	596,781	-	596,781	55,919
Total expenditures	8,045,673	8,032,134	7,860,721	8,160	7,868,881	163,253
Excess (deficiency) of revenues over (under) expenditures	(162,847)	(470,989)	170,237	(8,160)	162,077	633,066
Other Financing Uses:						
Transfers in	-	-	-	-	-	-
Transfers out	(90,610)	(90,610)	(96,575)	-	(96,575)	(5,965)
Total Other Financing Uses	(90,610)	(90,610)	(96,575)	-	(96,575)	(5,965)
Net Change in Fund Balances	(253,457)	(561,599)	73,662	(8,160)	65,502	627,101
Fund Balances, January 1	1,432,800	1,554,568	1,706,161	-	1,706,161	-
Fund Balances, December 31	\$ 1,179,343	\$ 992,969	\$ 1,779,823	\$ (8,160)	\$ 1,771,663	\$ 627,101

City of Fort Smith, Arkansas
Notes to Required Supplementary Information
December 31, 2015

Budgets and Budget Accounting

By December 1 of each year, the City Administrator is required to submit to the Board of Directors ("Board") a proposed budget for the fiscal year beginning on the following January 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted prior to adoption of the budget to allow citizen input. The state statute governing adoption of annual budgets requires the Board to approve the budget prior to February 1. For practical purposes, the Board usually adopts the budget in December.

Annual budgets are legally adopted for the General Fund and the Street Maintenance Fund, a special revenue fund.

The City Administrator is authorized to transfer budgeted amounts within departments; however, the Board must approve any revisions that alter the total expenditures of any department. The General Fund appropriations increased by \$1,890,132 for 2015. The supplemental appropriations (expenditures and transfers out) included \$270,000 for the fire department capital projects provided by the ¼% sales tax and \$2,865,000 for the parks department capital projects funded by the ¼% sales tax. These were offset by mid-year reductions totaling \$833,573 due to budgetary concerns. During 2015, the Board adopted no supplemental appropriations for the Street Maintenance fund. Mid year reductions totaled \$13,600 due to budgetary concerns.

For budgetary purposes, unencumbered appropriations lapse at year-end.

The budgets for the General Fund and the Street Maintenance Fund are prepared on a basis that differs from GAAP. The difference between budget and GAAP basis is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to an assignment of fund balance (GAAP). Accordingly, encumbrances have been reflected in the budget and actual schedules as budget adjustments to provide a more meaningful comparison. Budget and actual schedules are presented at the departmental level that is the legal level of budgetary control.

SUPPLEMENTARY INFORMATION SECTION

City of Fort Smith, Arkansas
Nonmajor Governmental Funds
For the Year Ended December 31, 2015

Special Revenue Funds:

Community Development Block Grant (CDBG) - To account for the operations of projects utilizing CDBG funds. Such revenues are restricted to expenditures for specified projects by the Department of Housing and Urban Development.

Tilles Park- To account for donations received from the Tilles family estate. The money received is restricted for upgrading and maintaining Tilles Park.

HOME Investment Partnership Act- To account for federal funds administered by the Community Housing Development Organizations (CHDO) and other subrecipients to provide assistance for affordable housing.

Special Grants- To account for federal, state, and local grants received by the City. Current grants include: Department of Justice grants for personnel and equipment, Arkansas historic preservation grants, and a local grant from Sebastian County for drug law enforcement projects. These funds are restricted to expenditures for approved projects of the various agencies.

LOPFI Contribution- To account for the funding of contributions made to the Police and Fire Relief and Pension Plans administered by Arkansas LOPFI.

Convention Center- To account for operations of the convention center. The rental revenue generated by the center and a subsidy from the General Fund are accounted for in this fund. The City has an agreement with the Advertising & Promotion Commission (A & P) whereby the A & P manage the center.

City of Fort Smith, Arkansas
Combining Balance Sheet – Nonmajor Governmental Funds
December 31, 2015

	Special Revenue						Total Nonmajor Governmental Funds
	Community Development Block Grant	Tilles Park	HOME Investment Partnership Act	Special Grants	LOPFI Contribution	Convention Center	
Assets							
Cash	\$ 9,803	\$ -	\$ 16,831	\$ 5,507	\$ 650,436	\$ 138,449	\$ 821,026
Investments	-	9,947	-	161,690	5,644,962	250,969	6,067,568
Receivables, net of allowance for uncollectibles	-	-	-	-	2,817,682	-	2,817,682
Taxes	-	-	-	-	-	52,394	52,394
Accounts	-	-	-	-	-	-	-
Due from other governments	79,680	-	151,950	4,738	-	-	236,368
Prepaid items	400	-	-	-	-	-	400
Total assets	<u>\$ 89,883</u>	<u>\$ 9,947</u>	<u>\$ 168,781</u>	<u>\$ 171,935</u>	<u>\$ 9,113,080</u>	<u>\$ 441,812</u>	<u>\$ 9,995,438</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 81,141	\$ -	\$ 168,781	\$ -	\$ -	\$ 53,603	\$ 303,525
Retainage payable	-	-	-	-	-	-	-
Unearned revenues	-	-	-	70,281	-	24,384	94,665
Other	2,323	-	-	-	-	369	2,692
Total liabilities	<u>85,852</u>	<u>-</u>	<u>168,781</u>	<u>70,281</u>	<u>-</u>	<u>78,356</u>	<u>403,270</u>
Deferred Inflows of Resources							
Unavailable property taxes	-	-	-	-	2,811,853	-	2,811,853
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,811,853</u>	<u>-</u>	<u>2,811,853</u>
Fund Balances:							
Nonspendable	400	-	-	-	-	-	400
Restricted for:							
Construction projects	-	-	-	101,654	-	-	101,654
Parks & recreation	-	9,947	-	-	-	-	9,947
Housing and rehabilitation	3,631	-	-	-	-	-	3,631
Police & fire retirement contributions	-	-	-	-	6,301,227	-	6,301,227
Assigned to:							
Convention center	-	-	-	-	-	363,456	363,456
Total Fund Balances	<u>4,031</u>	<u>9,947</u>	<u>-</u>	<u>101,654</u>	<u>6,301,227</u>	<u>363,456</u>	<u>6,780,315</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 89,883</u>	<u>\$ 9,947</u>	<u>\$ 168,781</u>	<u>\$ 171,935</u>	<u>\$ 9,113,080</u>	<u>\$ 441,812</u>	<u>\$ 9,995,438</u>

City of Fort Smith, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balance –
Nonmajor Governmental Funds
For the Year Ended December 31, 2015

	Special Revenue						Total Nonmajor Governmental Funds
	Community Development Block Grant	Tilles Park	HOME Investment Partnership Act	Special Grants	LOPFI Contribution	Convention Center	
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,718,277	\$ -	\$ 2,718,277
Intergovernmental	1,477,230	-	1,392,231	426,968	1,499,165	-	4,795,594
Fines and forfeitures	-	-	-	-	139,638	-	139,638
Fees for services	-	-	-	-	-	725,491	725,491
Interest	-	34	-	-	16,202	892	17,128
Contributions	-	400	-	-	2,020,759	-	2,021,159
Miscellaneous	-	-	-	-	1,589	-	1,589
Total revenues	1,477,230	434	1,392,231	426,968	6,395,630	726,383	10,418,876
Expenditures							
Current:							
Public safety							
Police	-	-	-	180,025	3,269,888	-	3,449,913
Fire	-	-	-	-	4,226,171	-	4,226,171
Public works							
Streets	-	-	-	242,572	-	-	242,572
Community services							
Parks and Recreation	-	1,205	-	6,667	-	-	7,872
Convention Center	-	-	-	-	-	1,413,571	1,413,571
Housing and Rehabilitation	1,477,230	-	1,392,231	-	-	-	2,869,461
Capital Outlay	-	-	-	-	-	33,919	33,919
Total expenditures	1,477,230	1,205	1,392,231	429,264	7,496,059	1,447,490	12,243,479
Excess (deficiency) of revenues over (under) expenditures	-	(771)	-	(2,296)	(1,100,429)	(721,107)	(1,824,603)
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	770,473	777,000	1,547,473
Transfers out	-	-	-	-	-	-	-
Total Other Financing Sources and Uses	-	-	-	-	770,473	777,000	1,547,473
Net Change in Fund Balances	-	(771)	-	(2,296)	(329,956)	55,893	(277,130)
Fund Balances, January 1	4,031	10,718	-	103,950	6,631,183	307,563	7,057,445
Fund Balances, December 31	\$ 4,031	\$ 9,947	\$ -	\$ 101,654	\$ 6,301,227	\$ 363,456	\$ 6,780,315

City of Fort Smith, Arkansas
Internal Service Funds
For the Fiscal Year Ended December 31, 2015

Working Capital- To account for the accumulation and allocation of costs associated with fuel and duplicating services.

Employee Insurance- To account for monthly premiums contributed by the City and its employees for health insurance coverage and to provide for payment of life insurance premiums. The plan is self-insured with a third party administrator acting as paying agent for claims. Premiums are accumulated in this fund for the payment of employee insurance claims.

Workers' Compensation- To account for amounts contributed for workers' compensation. Workers' compensation contributions are accumulated in this fund for the payment of workers' compensation claims.

City of Fort Smith, Arkansas
Combining Statement of Net Position
Internal Service Funds
December 31, 2015

	Working Capital	Employee Insurance	Workers' Compensation	Total
Assets				
Current Assets				
Cash	\$ 80,313	\$ 771,062	\$ 347,570	\$ 1,198,945
Investments	-	1,441,454	725,307	2,166,761
Receivables, net of allowance for uncollectibles				
Accounts	-	36,769	-	36,769
Inventory	28,732	-	-	28,732
Prepaid items & deposits	-	79,242	-	79,242
Due from other funds	93	-	-	93
	<u>109,138</u>	<u>2,328,527</u>	<u>1,072,877</u>	<u>3,510,542</u>
Total Current Assets				
	<u>109,138</u>	<u>2,328,527</u>	<u>1,072,877</u>	<u>3,510,542</u>
Total Assets				
	<u>109,138</u>	<u>2,328,527</u>	<u>1,072,877</u>	<u>3,510,542</u>
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	22,302	202,447	14,000	238,749
Claims and judgments	-	1,330,659	668,170	1,998,829
	<u>22,302</u>	<u>1,533,106</u>	<u>682,170</u>	<u>2,237,578</u>
Total Current Liabilities				
	<u>22,302</u>	<u>1,533,106</u>	<u>682,170</u>	<u>2,237,578</u>
Total Liabilities				
	<u>22,302</u>	<u>1,533,106</u>	<u>682,170</u>	<u>2,237,578</u>
Net Position				
Unrestricted	86,836	795,421	390,707	1,272,964
	<u>86,836</u>	<u>795,421</u>	<u>390,707</u>	<u>1,272,964</u>
Total Net Position				
	<u>\$ 86,836</u>	<u>\$ 795,421</u>	<u>\$ 390,707</u>	<u>\$ 1,272,964</u>

City of Fort Smith, Arkansas
Combining Statement of Revenues, Expenses and
Changes in Fund Net Position
Internal Service Funds
For the Year Ended December 31, 2015

	Working Capital	Employee Insurance	Workers' Compensation	Total
Operating Revenues				
Charges for services - internal	\$ 718,522	\$ 9,653,982	\$ 629,820	\$ 11,002,324
Charges for services - external	-	474,119	-	474,119
Total Operating Revenues	<u>718,522</u>	<u>10,128,101</u>	<u>629,820</u>	<u>11,476,443</u>
Operating Expenses				
Contractual services	-	457,798	99,312	557,110
Materials and supplies	693,547	-	-	693,547
Insurance claims and expenses	-	8,950,676	441,288	9,391,964
Total Operating Expenses	<u>693,547</u>	<u>9,408,474</u>	<u>540,600</u>	<u>10,642,621</u>
Operating Income (Loss)	<u>24,975</u>	<u>719,627</u>	<u>89,220</u>	<u>833,822</u>
Nonoperating Revenues				
Investment earnings	-	4,982	3,851	8,833
Total Nonoperating Revenues	<u>-</u>	<u>4,982</u>	<u>3,851</u>	<u>8,833</u>
Income before transfers	24,975	724,609	93,071	842,655
Transfers in	-	52,807	-	52,807
Change in Net Position	24,975	777,416	93,071	895,462
Total net position, beginning	<u>61,861</u>	<u>18,005</u>	<u>297,636</u>	<u>377,502</u>
Total net position, ending	<u>\$ 86,836</u>	<u>\$ 795,421</u>	<u>\$ 390,707</u>	<u>\$ 1,272,964</u>

City of Fort Smith, Arkansas
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2015

	Working Capital	Employee Insurance	Workers' Compensation	Total
Cash Flows from Operating Activities:				
Cash received from service users	\$ 718,843	\$ 463,796	\$ -	\$ 1,182,639
Cash received from city and employee contributions	-	9,703,982	629,820	10,333,802
Cash payments for goods and services	(691,816)	-	-	(691,816)
Cash payments for premiums and other operating expenses	-	(457,798)	(93,862)	(551,660)
Cash payments for claims paid	-	(9,413,285)	(522,296)	(9,935,581)
Net cash provided by (used for) operating activities	27,027	296,695	13,662	337,384
Noncapital Financing Activities				
Transfers in from other funds	-	52,807	-	52,807
Net cash provided by noncapital financing activities	-	52,807	-	52,807
Cash Flows from Investing Activities				
Proceeds from sales and maturities of investment securities	-	1,057,327	14,196	1,071,523
Outlays for purchases of investment securities	-	(1,633,154)	-	(1,633,154)
Interest on investments	-	5,353	4,089	9,442
Net cash provided by (used for) investing activities	-	(570,474)	18,285	(552,189)
Net increase (decrease) in cash	27,027	(220,972)	31,947	(161,998)
Cash, January 1	53,286	992,034	315,623	1,360,943
Cash, December 31	\$ 80,313	\$ 771,062	\$ 347,570	\$ 1,198,945
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating income (loss)	\$ 24,975	\$ 719,627	\$ 89,220	\$ 833,822
Change in assets and liabilities				
Accounts receivable	-	(10,323)	-	(10,323)
Due from other funds	321	50,000	-	50,321
Inventory	(4,642)	-	-	(4,642)
Prepaid items	-	(63,775)	-	(63,775)
Accounts payable and accrued liabilities	6,373	45,599	14,000	65,972
Liability for claims and judgments	-	(444,433)	(89,558)	(533,991)
Total adjustments	2,052	(422,932)	(75,558)	(496,438)
Net cash provided by (used for) operating activities	\$ 27,027	\$ 296,695	\$ 13,662	\$ 337,384

City of Fort Smith, Arkansas
Discretely Presented Component Units
For the Fiscal Year Ended December 31, 2015

Governmental Fund Types – Special Revenue Funds

Advertising and Promotion- To account for the operations of the Advertising and Promotion Commission utilizing revenues from the hotel/motel (hospitality) tax. These revenues are restricted to expenditures of the Advertising and Promotion Commission to promote the City and increase tourism.

Public Library- To account for the operations of the Fort Smith Public Library in providing library services to citizens.

Proprietary Fund Types – Enterprise Funds

Parking Authority- To account for the provision of parking facilities within the City. All services necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, financing, and related debt service.

Airport Commission- To account for the provision of regional airport services. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing, and related debt service.

City of Fort Smith, Arkansas
Combining Statement of Net Position
Governmental Component Units
December 31, 2015

	Advertising and Promotion	Public Library	Total
Assets			
Cash	\$ 948	\$ 589,780	\$ 590,728
Investments	176,065	300,902	476,967
Receivables, net of allowance for uncollectibles			
Taxes	53,431	-	53,431
Sales taxes	-	160,576	160,576
Accounts	-	77,571	77,571
Prepaid items	385	54,615	55,000
Capital assets			
Nondepreciable	-	427,132	427,132
Depreciable	-	286,218	286,218
Total Assets	<u>230,829</u>	<u>1,896,794</u>	<u>2,127,623</u>
Deferred outflows of resources			
Deferred outflow related to pension	-	384,340	384,340
Total deferred outflows of resources	<u>-</u>	<u>384,340</u>	<u>384,340</u>
Liabilities			
Accounts payable and accrued liabilities	23,622	51,501	75,123
Net pension liability	-	1,392,236	1,392,236
Total Liabilities	<u>23,622</u>	<u>1,443,737</u>	<u>1,467,359</u>
Deferred inflows of resources			
Deferred inflow related to pension	-	439,361	439,361
Total deferred inflows of resources	<u>-</u>	<u>439,361</u>	<u>439,361</u>
Net Position			
Net investment in capital assets	-	713,350	713,350
Restricted for:			
Tourism & promotion	207,207	-	207,207
Assigned to:			
Library	-	(315,314)	(315,314)
Total Net Position	<u>\$ 207,207</u>	<u>\$ 398,036</u>	<u>\$ 605,243</u>

City of Fort Smith, Arkansas
Combining Statement of Activities – Governmental Component Units
For the Year Ended December 31, 2015

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Governmental Activities		
				Advertising & Promotion	Public Library	Total
Advertising & Promotion	\$ 791,679	\$ -	\$ 3,960	\$ (787,719)	\$ -	\$ (787,719)
Public Library	3,169,957	184,202	153,007	-	(2,832,748)	(2,832,748)
Total	<u>\$ 3,961,636</u>	<u>\$ 184,202</u>	<u>\$ 156,967</u>	<u>(787,719)</u>	<u>(2,832,748)</u>	<u>(3,620,467)</u>
General revenues						
Property taxes				-	1,385,441	1,385,441
Sales taxes				-	965,455	965,455
Hospitality taxes				800,086	-	800,086
Unrestricted investment earnings				486	948	1,434
Other				-	233,736	233,736
Total general revenues				<u>800,572</u>	<u>2,585,580</u>	<u>3,386,152</u>
Change in net position				<u>12,853</u>	<u>(247,168)</u>	<u>(234,315)</u>
Net position, beginning, as previously stated				194,354	1,867,631	2,061,985
GASB 68 implementation adjustment				<u>-</u>	<u>(1,222,427)</u>	<u>(1,222,427)</u>
Net position, beginning, restated				<u>194,354</u>	<u>645,204</u>	<u>839,558</u>
Net position, ending				<u>\$ 207,207</u>	<u>\$ 398,036</u>	<u>\$ 605,243</u>

City of Fort Smith, Arkansas
Balance Sheet – Advertising and Promotion
Governmental Component Unit
December 31, 2015

Assets:	
Cash	\$ 948
Investments	176,065
Receivables, net of allowance for uncollectibles	
Taxes	53,431
Prepaid items	<u>385</u>
 Total Assets	 \$ <u><u>230,829</u></u>
 Liabilities and Fund Balance:	
Current:	
Accounts payable and accrued liabilities	\$ <u>23,622</u>
 Total Liabilities	 23,622
 Fund Balance:	
Restricted for:	
Tourism & promotion	<u>207,207</u>
 Total Liabilities and Fund Balance	 \$ <u><u>230,829</u></u>

City of Fort Smith, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balance
Advertising and Promotion - Governmental Component Unit
For the Year Ended December 31, 2015

Revenues	
Taxes	\$ 800,086
Interest	486
Contributions	<u>3,960</u>
Total revenues	<u>804,532</u>
Expenditures	
Other	760,862
Capital outlay	<u>6,814</u>
Total Expenditures	<u>767,676</u>
Excess of revenues over expenditures	<u>36,856</u>
Other Financing Uses:	
Transfers out to primary government	<u>(24,003)</u>
Total other financing uses	<u>(24,003)</u>
Net change in fund balance	12,853
Fund Balance, January 1	<u>194,354</u>
Fund Balance, December 31	<u><u>\$ 207,207</u></u>

City of Fort Smith, Arkansas
Combining Statement of Net Position
Business-Type Component Units
December 31, 2015

	Parking Authority	Airport	Total
Assets			
Current Assets			
Cash	\$ 2,853	\$ 706,580	\$ 709,433
Investments	452,211	982,833	1,435,044
Receivables, net of allowance for uncollectibles			
Accounts	2,960	129,012	131,972
Accrued interest	-	5,301	5,301
Restricted			
Cash	-	76,658	76,658
Grants and other governments	-	753,724	753,724
Prepaid items and deposits	1,681	64,031	65,712
Inventory	-	47,906	47,906
	<u>459,705</u>	<u>2,766,045</u>	<u>3,225,750</u>
Total Current Assets			
	<u>459,705</u>	<u>2,766,045</u>	<u>3,225,750</u>
Noncurrent Assets			
Restricted			
Cash	-	197,546	197,546
Investments	-	896,658	896,658
Capital assets			
Nondepreciable	1,359,160	6,504,129	7,863,289
Depreciable	105,765	31,581,784	31,687,549
	<u>1,464,925</u>	<u>39,180,117</u>	<u>40,645,042</u>
Total Noncurrent Assets			
	<u>1,464,925</u>	<u>39,180,117</u>	<u>40,645,042</u>
Total Assets	<u>1,924,630</u>	<u>41,946,162</u>	<u>43,870,792</u>
Deferred Outflows of Resources			
Deferred amount on refunding	-	124,358	124,358
	<u>-</u>	<u>124,358</u>	<u>124,358</u>
Total deferred outflows of resources	<u>-</u>	<u>124,358</u>	<u>124,358</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4,423	194,852	199,275
Payable from restricted assets:			
Revenue bonds payable, current	-	190,000	190,000
	<u>4,423</u>	<u>384,852</u>	<u>389,275</u>
Total Current Liabilities			
	<u>4,423</u>	<u>384,852</u>	<u>389,275</u>
Noncurrent liabilities			
Due within one year	5	-	5
Due in more than one year	512	2,305,000	2,305,512
	<u>517</u>	<u>2,305,000</u>	<u>2,305,517</u>
Total Noncurrent Liabilities			
	<u>517</u>	<u>2,305,000</u>	<u>2,305,517</u>
Total Liabilities	<u>4,940</u>	<u>2,689,852</u>	<u>2,694,792</u>
Net Position			
Net investment in capital assets	1,464,408	35,562,188	37,026,596
Restricted for bond retirement	-	382,316	382,316
Restricted for capital projects	-	57,202	57,202
Unrestricted	455,282	3,378,962	3,834,244
	<u>1,919,690</u>	<u>39,380,668</u>	<u>41,300,358</u>
Total Net Position			
	<u>\$ 1,919,690</u>	<u>\$ 39,380,668</u>	<u>\$ 41,300,358</u>

City of Fort Smith, Arkansas
Combining Statement of Activities – Business-Type Component Units
For the Year Ended December 31, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Capital Grants and Contributions	Business-Type Activities		
				Parking Authority	Airport Commission	Total
Parking Authority	\$ 364,935	\$ 186,353	\$ -	\$ (178,582)	\$ -	\$ (178,582)
Airport	4,936,659	2,710,240	4,788,634	-	2,562,215	2,562,215
Total	<u>\$ 5,301,594</u>	<u>\$ 2,896,593</u>	<u>\$ 4,788,634</u>	<u>(178,582)</u>	<u>2,562,215</u>	<u>2,383,633</u>
General revenues						
Unrestricted investment earnings				1,539	11,903	13,442
Total general revenues				1,539	11,903	13,442
Change in net position				(177,043)	2,574,118	2,397,075
Net position, beginning of year				2,096,733	36,806,550	38,903,283
Net position, ending of year				<u>\$ 1,919,690</u>	<u>\$ 39,380,668</u>	<u>\$ 41,300,358</u>

City of Fort Smith, Arkansas
Combining Statement of Cash Flows – Business-Type Component Units
For the Year Ended December 31, 2015

	Parking Authority	Airport	Total
Operating Activities			
Cash received from customers	\$ 187,519	\$ 2,927,728	\$ 3,115,247
Cash payments for goods and services	(57,805)	(1,468,466)	(1,526,271)
Cash paid to employees	(107,403)	(747,326)	(854,729)
Net cash provided by operating activities	<u>22,311</u>	<u>711,936</u>	<u>734,247</u>
Capital and Related Financing Activities			
Proceeds from capital grants	-	3,864,975	3,864,975
Proceeds from bond issuances	-	-	-
Passenger facility charges received	-	343,215	343,215
Acquisition and construction of capital assets	-	(5,561,808)	(5,561,808)
Principal paid on bonds	-	(120,968)	(120,968)
Interest paid on bonds	-	(180,000)	(180,000)
Net cash used in capital and related financing activities	<u>-</u>	<u>(1,654,586)</u>	<u>(1,654,586)</u>
Investing Activities			
Proceeds from sales and maturities of investment securities	-	983,170	983,170
Outlays for purchases of investment securities	(75,259)	(1,879,491)	(1,954,750)
Interest on investments	-	6,827	6,827
Net cash provided by (used for) investing activities	<u>(75,259)</u>	<u>(889,494)</u>	<u>(964,753)</u>
Net increase (decrease) in cash and restricted cash	<u>(52,948)</u>	<u>(1,832,144)</u>	<u>(1,885,092)</u>
Cash and restricted cash, January 1	<u>55,801</u>	<u>2,812,928</u>	<u>2,868,729</u>
Cash and restricted cash, December 31	<u><u>\$ 2,853</u></u>	<u><u>\$ 980,784</u></u>	<u><u>\$ 983,637</u></u>
Reconciliation of cash and restricted cash at December 31 to statement of net position			
Cash	\$ 2,853	\$ 706,580	\$ 709,433
Restricted cash	<u>-</u>	<u>274,204</u>	<u>274,204</u>
Total	<u><u>\$ 2,853</u></u>	<u><u>\$ 980,784</u></u>	<u><u>\$ 983,637</u></u>

City of Fort Smith, Arkansas
Combining Statement of Cash Flows – Business-Type Component Units
(Continued)
For the Year Ended December 31, 2015

	Parking Authority	Airport	Total
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities			
Operating loss	\$ (178,582)	\$(2,087,409)	\$ (2,265,991)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities			
Depreciation	197,013	2,594,576	2,791,589
Miscellaneous expenses (net)	7,550	-	7,550
Change in assets and liabilities			
Accounts receivable	(1,245)	217,488	216,243
Inventory	-	9,725	9,725
Prepaid items	-	(5,918)	(5,918)
Accounts payable and accrued liabilities	(2,314)	(16,526)	(18,840)
Liabilities for accrued vacation and sick leave	(111)	-	(111)
Total adjustments	200,893	2,799,345	3,000,238
Net cash provided by operating activities	<u>\$ 22,311</u>	<u>\$ 711,936</u>	<u>\$ 734,247</u>

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STATISTICAL SECTION

City of Fort Smith, Arkansas

Statistical Section

This section of the City of Fort Smith comprehensive annual financial report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information reflects about the City's overall financial health.

Contents

Page

Financial Trends (Tables 1-5)

These schedules contain trend information to assist the reader in understanding how the City's financial performance and well-being have changed over time 159

Revenue Capacity (Tables 6-11)

These schedules contain information to help the reader assess the City's most significant revenue sources, local sales taxes and property taxes 165

Debt Capacity (Tables 12-15)

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future 171

Demographic and Economic Information (Tables 16-17)

These schedules offer demographic and economic indicators to assist the reader in understanding the environment within which the City's financial activities take place 175

Operating Information (Tables 18-20)

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to services the City provides and the activities it performs 177

Continuing Disclosure Requirement Information (Tables 21-22)

These schedules provide information required to be disseminated for investors of City debt. By including this data, the CAFR may be used as the document that provides all debt covenant required reports and information 180

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1

City of Fort Smith, Arkansas
Net Position by Component
Last Ten Years
(Accrual Basis of Accounting)
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 250,104,666	\$ 275,722,692	\$ 293,634,375	\$ 294,746,494	\$ 305,663,999	\$ 323,022,637	\$ 323,907,222	\$ 315,027,429	\$ 301,383,411	\$ 301,292,326
Restricted	44,488,640	47,754,213	46,981,658	24,205,366	23,050,850	39,016,328	45,995,375	41,087,435	46,649,301	50,358,284
Unrestricted	33,741,938	29,580,570	27,130,241	38,763,651	34,297,504	15,010,176	11,588,210	11,619,202	8,929,780	(41,489,044)
Total governmental activities net position	<u>\$ 328,335,244</u>	<u>\$ 353,057,475</u>	<u>\$ 367,746,274</u>	<u>\$ 357,715,511</u>	<u>\$ 363,012,353</u>	<u>\$ 377,049,141</u>	<u>\$ 381,490,807</u>	<u>\$ 367,734,066</u>	<u>\$ 356,962,492</u>	<u>\$ 310,161,566</u>
Business-Type activities										
Net investment in capital assets	\$ 229,748,148	\$ 225,664,963	\$ 249,818,159	\$ 293,549,646	\$ 314,941,959	\$ 324,215,779	\$ 329,000,477	\$ 359,247,688	\$ 378,186,724	\$ 350,202,002
Restricted	23,486,930	20,514,957	27,385,513	24,102,177	24,385,436	18,608,798	18,173,298	18,623,298	19,073,298	20,677,094
Unrestricted (deficit)	(15,666,417)	1,390,057	(4,385,785)	(3,057,942)	(7,596,655)	2,270,311	8,023,382	5,289,216	649,154	34,468,082
Total business-type activities net position	<u>\$ 237,568,661</u>	<u>\$ 247,569,977</u>	<u>\$ 272,817,887</u>	<u>\$ 314,593,881</u>	<u>\$ 331,730,740</u>	<u>\$ 345,094,888</u>	<u>\$ 355,197,157</u>	<u>\$ 383,160,202</u>	<u>\$ 397,909,176</u>	<u>\$ 405,347,178</u>
Primary government										
Net investment in capital assets	\$ 479,852,814	\$ 501,387,655	\$ 543,452,534	\$ 588,296,140	\$ 620,605,958	\$ 647,238,416	\$ 652,907,699	\$ 674,275,117	\$ 679,570,135	\$ 651,494,328
Restricted	67,975,570	68,269,170	74,367,171	48,307,543	47,436,286	57,625,126	64,168,673	59,710,733	65,722,599	71,035,378
Unrestricted (deficit)	18,075,521	30,970,627	22,744,456	35,705,709	26,700,849	17,280,487	19,611,592	16,908,418	9,578,934	(7,020,962)
Total primary government net position	<u>\$ 565,903,905</u>	<u>\$ 600,627,452</u>	<u>\$ 640,564,161</u>	<u>\$ 672,309,392</u>	<u>\$ 694,743,093</u>	<u>\$ 722,144,029</u>	<u>\$ 736,687,964</u>	<u>\$ 750,894,268</u>	<u>\$ 754,871,668</u>	<u>\$ 715,508,744</u>

Table 2

City of Fort Smith, Arkansas
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
General government	\$ 7,401,742	\$ 8,121,090	\$ 10,384,215	\$ 8,783,548	\$ 9,464,539	\$ 9,874,051	\$ 9,373,912	\$ 10,566,809	\$ 11,782,229	\$ 10,540,138
Public safety	28,283,667	29,635,609	28,634,055	31,836,140	32,350,902	34,009,318	37,263,101	40,463,203	37,468,682	40,059,753
Public works	11,583,305	10,862,082	12,091,319	12,169,873	13,226,363	14,541,350	14,541,430	16,688,875	16,828,138	16,228,119
Community services	11,465,302	10,559,736	9,637,947	13,438,158	12,165,578	10,732,048	11,633,976	11,431,562	17,875,559	11,598,167
Interest on long-term debt	671,893	3,757,618	4,109,187	3,917,534	3,838,008	2,933,735	4,099,571	4,958,960	4,948,763	4,702,341
Total governmental activities expenses	59,405,909	62,936,135	64,856,723	70,145,253	71,045,390	72,090,502	76,911,990	84,109,410	88,903,371	83,128,518
Business-Type Activities:										
Water and Sewer	32,920,994	36,693,984	41,745,466	34,198,511	37,974,129	38,875,863	41,283,645	42,203,035	42,807,102	43,775,895
Sanitation	10,507,258	11,455,050	11,465,629	11,403,090	11,670,602	11,287,956	12,361,032	12,185,883	13,298,931	12,160,733
Total business-type activities expenses	43,428,252	48,149,034	53,211,095	45,601,601	49,644,731	50,163,819	53,644,677	54,388,918	56,106,033	55,936,628
Total primary government expenses	\$ 102,834,161	\$ 111,085,169	\$ 118,067,818	\$ 115,746,854	\$ 120,690,121	\$ 122,254,321	\$ 130,556,667	\$ 138,498,328	\$ 145,009,404	\$ 139,065,146
Program Revenues										
Governmental Activities:										
Charges for services										
General government	\$ 3,551,771	\$ 3,370,526	\$ 4,267,976	\$ 3,644,887	\$ 3,874,758	\$ 3,935,526	\$ 3,864,179	\$ 4,011,708	\$ 3,590,637	\$ 3,984,533
Public safety	283,460	288,258	266,085	245,863	312,543	325,298	358,888	1,430,302	183,031	166,741
Public works	50	50	-	1,200	4,605	9,535	261,792	421,635	266,627	254,686
Community services	1,009,470	1,001,004	1,125,845	1,003,750	1,153,674	994,444	1,099,960	1,657,307	1,210,185	1,199,131
Operating grants and contributions	7,006,913	7,524,294	7,928,553	12,754,491	13,142,881	12,269,135	10,982,501	12,914,448	13,925,772	15,087,846
Capital grants and contributions	3,082,171	1,610,147	8,260,531	1,763,263	1,357,800	1,796,754	3,394,792	3,388,287	3,197,429	3,540,688
Total governmental activities program revenues	14,933,835	13,794,279	21,848,990	19,413,454	19,846,261	19,330,692	19,962,112	23,823,687	22,373,681	24,233,625
Business-Type Activities:										
Charges for services										
Water and sewer	32,645,032	33,238,901	36,391,791	35,652,828	38,509,851	40,818,042	41,049,517	37,805,650	35,918,255	43,606,954
Sanitation	11,811,666	12,561,103	14,095,412	12,560,096	13,246,801	12,337,186	12,640,422	15,068,421	13,291,198	13,756,356
Capital grants and contributions	1,954,879	2,197,861	2,731,780	3,683,324	512,378	638,698	1,245,672	1,968,216	-	-
Total business-type activities program revenues	46,411,577	47,997,865	53,218,983	51,896,248	52,269,030	53,793,926	54,935,611	54,842,287	49,209,453	57,363,310
Total primary government program revenues	\$ 61,345,412	\$ 61,792,144	\$ 75,067,973	\$ 71,309,702	\$ 72,115,291	\$ 73,124,618	\$ 74,897,723	\$ 78,665,974	\$ 71,583,134	\$ 81,596,935
Net (expense) revenue										
Governmental activities	\$ (44,472,074)	\$ (49,141,856)	\$ (43,007,733)	\$ (50,731,799)	\$ (51,199,129)	\$ (52,759,810)	\$ (56,949,878)	\$ (60,285,723)	\$ (66,529,690)	\$ (58,894,893)
Business-Type activities	2,983,325	(151,169)	7,888	6,294,647	2,624,299	3,630,107	1,290,934	453,369	(6,896,580)	1,426,682
Total primary government net expense	\$ (41,488,749)	\$ (49,293,025)	\$ (42,999,845)	\$ (44,437,152)	\$ (48,574,830)	\$ (49,129,703)	\$ (55,658,944)	\$ (59,832,354)	\$ (73,426,270)	\$ (57,468,211)

Table 2 (Continued)

City of Fort Smith, Arkansas
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 9,392,423	\$ 8,821,508	\$ 9,360,659	\$ 12,267,731	\$ 10,623,101	\$ 13,143,979	\$ 10,927,877	\$ 11,514,707	\$ 11,447,651	\$ 11,715,689
Sales taxes	40,747,820	53,014,309	57,837,124	52,601,763	52,091,471	53,838,552	54,489,254	54,291,940	55,823,661	56,850,299
Utility franchise fees	7,406,294	6,760,463	7,366,814	5,990,452	6,492,100	6,571,993	6,071,893	6,478,637	6,780,156	6,388,844
Unrestricted grants and contributions	5,139,979	6,558,212	1,386,747	226,195	10,085	-	55,357	-	-	-
Unrestricted investment earnings	3,220,403	6,155,547	3,065,530	538,627	163,172	18,480	474	364,291	85,627	152,888
Gain (loss) on sale of capital assets	22,838	-	-	-	-	-	-	-	-	-
Insurance proceeds from hail storm	-	-	-	1,778,572	-	-	-	-	-	-
Other	1,088,665	251,941	309,447	1,318,649	1,199,332	1,539,449	527,041	3,462,503	2,108,585	1,397,078
Transfers	(24,738,822)	(7,697,893)	(21,629,789)	(34,020,953)	(14,083,290)	(8,315,855)	(12,190,491)	(27,638,513)	(20,487,564)	(16,408,142)
Total governmental activities	<u>42,279,600</u>	<u>73,864,087</u>	<u>57,696,532</u>	<u>40,701,036</u>	<u>56,495,971</u>	<u>66,796,598</u>	<u>59,881,405</u>	<u>48,473,565</u>	<u>55,758,116</u>	<u>60,096,656</u>
Business-type activities:										
Sales taxes	10,812,656	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	2,951,710	1,950,264	2,362,717	343,471	89,914	14,459	61,383	68,600	87,230	80,875
Other	304,583	504,328	1,247,516	1,116,923	339,356	1,403,727	609,901	1,403,727	1,403,727	138,309
Transfers	24,738,822	7,697,893	21,629,789	34,020,953	14,083,290	8,315,855	12,190,491	27,638,513	20,487,564	16,408,142
Total business-type activities	<u>38,807,771</u>	<u>10,152,485</u>	<u>25,240,022</u>	<u>35,481,347</u>	<u>14,512,560</u>	<u>9,734,041</u>	<u>12,861,775</u>	<u>29,110,840</u>	<u>21,978,521</u>	<u>16,627,326</u>
Total primary government	<u>\$ 81,087,371</u>	<u>\$ 84,016,572</u>	<u>\$ 82,936,554</u>	<u>\$ 76,182,383</u>	<u>\$ 71,008,531</u>	<u>\$ 76,530,639</u>	<u>\$ 72,743,180</u>	<u>\$ 77,584,405</u>	<u>\$ 77,736,637</u>	<u>\$ 76,723,982</u>
Changes in Net Position										
Governmental activities	\$ (2,192,474)	\$ 24,722,231	\$ 14,688,799	\$ (10,030,763)	\$ 5,296,842	\$ 14,036,788	\$ 2,931,527	\$ (11,812,158)	\$ (10,771,574)	\$ 1,201,763
Business-type activities	<u>41,791,096</u>	<u>10,001,316</u>	<u>25,247,910</u>	<u>41,775,994</u>	<u>17,136,859</u>	<u>13,364,148</u>	<u>14,152,709</u>	<u>27,963,029</u>	<u>14,748,974</u>	<u>18,054,008</u>
Total primary government	<u>\$ 39,598,622</u>	<u>\$ 34,723,547</u>	<u>\$ 39,936,709</u>	<u>\$ 31,745,231</u>	<u>\$ 22,433,701</u>	<u>\$ 27,400,936</u>	<u>\$ 17,084,236</u>	<u>\$ 16,150,871</u>	<u>\$ 3,977,400</u>	<u>\$ 19,255,771</u>

Table 3

City of Fort Smith, Arkansas
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes (1)	\$ 57,108,031	\$ 68,510,896	\$ 74,585,914	\$ 69,476,528	\$ 69,689,304	\$ 71,868,941	\$ 72,036,723	\$ 72,257,168	\$ 74,337,156	\$ 74,880,735
Licenses and permits	1,473,234	1,501,022	2,126,151	1,559,950	1,489,526	1,628,157	1,553,688	1,612,104	1,623,061	1,609,554
Intergovernmental	12,734,833	13,395,035	13,608,213	13,117,444	12,881,250	12,552,267	12,672,787	13,423,088	15,018,681	15,109,545
Fines and forfeitures	2,063,755	2,858,829	2,188,504	2,098,901	2,299,274	2,356,809	2,408,231	2,570,173	2,121,646	2,508,139
Charges for services	1,099,840	1,088,811	1,215,016	1,172,312	1,237,853	1,108,213	1,277,269	1,333,228	1,340,413	1,317,163
Investment earnings	3,326,046	6,294,463	3,114,332	566,378	166,106	18,480	141,141	383,964	185,589	262,136
Contributions	2,166,420	1,027,818	3,926,800	1,511,328	1,338,330	1,341,458	1,395,068	2,707,215	2,046,589	3,518,989
Miscellaneous	470,606	316,373	274,696	189,946	341,329	470,997	343,630	769,159	367,470	303,595
Total revenues	80,442,765	94,993,247	101,039,626	89,692,787	89,442,972	91,345,322	91,828,537	95,056,099	97,040,605	99,509,856
Expenditures										
General government	7,522,720	8,190,325	8,317,788	8,226,444	7,879,961	7,969,047	7,972,590	8,316,034	8,544,169	8,346,483
Public safety	26,003,929	28,062,350	26,885,795	30,697,704	30,032,414	31,659,461	31,596,228	34,497,803	33,985,035	36,145,342
Public works	5,433,522	5,202,463	5,820,879	5,254,628	5,870,159	6,450,755	5,734,913	7,461,123	7,341,039	6,645,539
Community services	7,194,025	6,387,764	5,586,246	9,338,549	7,987,136	7,144,380	7,236,525	7,199,963	8,404,310	9,091,293
Other	3,245,313	3,776,800	3,550,903	1,830,124	2,335,524	2,368,766	1,812,324	1,772,276	1,636,526	1,760,379
Capital outlay	23,933,708	32,939,098	29,323,932	31,766,713	34,187,241	31,670,727	30,928,218	49,788,131	41,638,644	39,788,772
Debt service										
Principal	-	14,355,000	17,110,000	17,785,000	16,805,000	17,495,000	1,940,000	12,905,000	11,315,000	11,240,000
Interest	671,893	3,757,618	3,141,156	2,917,861	3,040,386	2,367,651	2,688,400	3,575,061	4,217,236	4,247,774
Issuance costs	-	-	-	259,839	75,892	-	349,650	-	400,062	-
Total expenditures	74,005,110	102,671,418	99,736,699	108,076,862	108,213,713	107,125,787	90,258,848	125,515,391	117,482,021	117,265,582
Excess (deficiency) of revenues over (under) expenditures	6,437,655	(7,678,171)	1,302,927	(18,384,075)	(18,770,741)	(15,780,465)	994,432	(30,459,292)	(20,441,416)	(17,755,726)
Other financing sources and (uses)										
Transfers in	63,067,680	2,602,260	17,313,147	29,689,472	6,809,336	3,531,999	77,142,266	3,632,186	36,885,129	1,833,771
Transfers out	(88,464,556)	(10,300,153)	(39,169,188)	(64,000,227)	(6,269,982)	(3,077,367)	(76,972,738)	(3,849,710)	(36,937,129)	(1,775,248)
Insurance proceeds from hail storm	-	-	-	1,778,572	-	-	-	-	-	-
Premiums on bond issuance	-	-	-	236,307	16,217	-	6,269,913	-	1,028,741	-
Bond issuance	88,299,286	-	15,685,899	29,150,000	3,595,000	-	110,660,000	-	34,295,000	-
Escrow deposits	-	-	-	-	-	-	(53,700,952)	-	-	-
Capital leases	341,156	(58,278)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	63,243,566	(7,756,171)	(6,170,142)	(3,145,876)	4,150,571	454,632	63,398,489	(217,524)	35,271,741	58,523
Net change in fund balances	\$ 69,681,221	\$ (15,434,342)	\$ (4,867,215)	\$ (21,529,951)	\$ (14,620,170)	\$ (15,325,833)	\$ 64,392,921	\$ (30,676,816)	\$ 14,830,325	\$ (17,697,203)
Debt service as a % of noncapital expenditures	1.34%	26.0%	28.8%	27.1%	26.8%	26.3%	7.8%	21.8%	20.5%	20.0%

(1) See Table 6 for detail of tax revenues.

Table 4

City of Fort Smith, Arkansas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 4,706,017	\$ 2,191,724	\$ 3,654,013	\$ 2,772,912	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	7,607,076	6,257,328	7,052,220	5,772,601	-	-	-	-	-	-
Nonspendable	-	-	-	-	126,037	66,707	264,783	44,106	73,340	56,438
Restricted	-	-	-	-	1,467,461	283,616	-	-	-	-
Assigned	-	-	-	-	1,910,794	1,407,063	4,450,203	1,205,979	1,406,631	1,701,712
Unassigned	-	-	-	-	4,938,318	5,983,015	4,269,917	10,435,252	10,197,081	7,712,281
Total general fund	<u>12,313,093</u>	<u>8,449,052</u>	<u>10,706,233</u>	<u>8,545,513</u>	<u>8,442,610</u>	<u>7,740,401</u>	<u>8,984,903</u>	<u>11,685,337</u>	<u>11,677,052</u>	<u>9,470,431</u>
All other governmental funds										
Reserved	101,879,344	93,901,326	86,760,617	68,080,708	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	13,477,723	13,646,710	13,603,715	12,771,282	-	-	-	-	-	-
Debt service fund	3,634,024	-	-	-	-	-	-	-	-	-
Capital projects funds	457,785	457,547	516,855	709,966	-	-	-	-	-	-
Nonspendable	-	-	-	-	343,606	526,015	673,709	701,931	339,952	179,311
Restricted	-	-	-	-	62,360,676	51,037,382	114,702,230	79,671,763	95,030,923	79,584,620
Committed	-	-	-	-	508,840	443,933	-	-	-	-
Assigned	-	-	-	-	3,781,567	363,735	453,802	2,078,797	1,920,226	2,036,588
Total all other governmental funds	<u>119,448,876</u>	<u>108,005,583</u>	<u>100,881,187</u>	<u>81,561,956</u>	<u>66,994,689</u>	<u>168,200,806</u>	<u>115,829,741</u>	<u>82,452,491</u>	<u>97,291,101</u>	<u>81,800,519</u>
Total governmental fund balances	<u>\$ 131,761,969</u>	<u>\$ 116,454,635</u>	<u>\$ 111,587,420</u>	<u>\$ 90,107,469</u>	<u>\$ 75,437,299</u>	<u>\$ 175,941,207</u>	<u>\$ 124,814,644</u>	<u>\$ 94,137,828</u>	<u>\$ 108,968,153</u>	<u>\$ 91,270,950</u>

The City of Fort Smith adopted GASB 54 for fiscal year ending 12/31/2010. In the schedule above all years prior to 2011 are stated in its original form and therefor are not directly comparable to 2011 or later.

Table 5

City of Fort Smith, Arkansas
General Fund Revenues, Expenditures, and Fund Balance
Continuing Disclosure Requirement
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues	\$ 36,218,142	\$ 37,164,047	\$ 38,953,983	\$ 36,683,453	\$ 37,014,019	\$ 37,744,298	\$ 38,056,106	\$ 43,930,416	\$ 43,702,563	\$ 44,355,055
Expenditures	<u>38,309,177</u>	<u>43,059,070</u>	<u>38,654,800</u>	<u>41,671,672</u>	<u>39,433,872</u>	<u>40,670,109</u>	<u>38,750,928</u>	<u>42,663,082</u>	<u>45,643,048</u>	<u>45,169,301</u>
Excess (deficiency) of revenues over (under) expenditures	(2,091,035)	(5,895,023)	299,183	(4,988,219)	(2,419,853)	(2,925,811)	(694,822)	1,267,334	(1,940,485)	(814,246)
Other financing sources (uses)	<u>3,825,493</u>	<u>2,030,982</u>	<u>1,957,998</u>	<u>2,777,499</u>	<u>2,366,950</u>	<u>2,223,602</u>	<u>1,634,238</u>	<u>1,738,186</u>	<u>1,932,200</u>	<u>(1,392,375)</u>
Net change in fund balances	1,734,458	(3,864,041)	2,257,181	(2,210,720)	(52,903)	(702,209)	939,416	3,005,520	(8,285)	(2,206,621)
Fund balance, January 1	<u>10,578,635</u>	<u>12,313,093</u>	<u>8,449,052</u>	<u>10,706,233</u>	<u>8,495,513</u>	<u>8,442,610</u>	<u>7,740,401</u>	<u>8,679,817</u>	<u>11,685,337</u>	<u>11,677,052</u>
Fund balance, December 31	<u><u>\$ 12,313,093</u></u>	<u><u>\$ 8,449,052</u></u>	<u><u>\$ 10,706,233</u></u>	<u><u>\$ 8,495,513</u></u>	<u><u>\$ 8,442,610</u></u>	<u><u>\$ 7,740,401</u></u>	<u><u>\$ 8,679,817</u></u>	<u><u>\$ 11,685,337</u></u>	<u><u>\$ 11,677,052</u></u>	<u><u>\$ 9,470,431</u></u>

Table 6

City of Fort Smith, Arkansas
General Governmental Taxes by Source
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Ad Valorem Taxes	Sales Taxes (1)	Utility Franchise Fees	Total
2006	\$ 8,953,917	\$ 40,747,820	\$ 7,406,294	\$ 57,108,031
2007	8,736,124	53,014,309	6,760,463	68,510,896
2008	9,381,976	57,837,124	7,366,814	74,585,914
2009	10,884,313	52,601,763	5,990,452	69,476,528
2010	11,105,733	52,091,471	6,492,100	69,689,304
2011	11,458,396	53,838,552	6,571,993	71,868,941
2012	11,475,576	54,489,254	6,071,893	72,036,723
2013	11,486,591	54,291,940	6,478,637	72,257,168
2014	11,733,339	55,823,661	6,780,156	74,337,156
2015	11,641,592	56,850,299	6,388,844	74,880,735

(1) The City began collecting a 1% sales tax for street projects in November 1985, a 1/2% sales tax for bond retirement in January 1998 through June 2004, and the City share of the county 1% sales tax in August 1994. In May 2006, the City began collecting a 1% sales tax for bond retirement. The sales taxes for bond retirement are now used to support the 2012 sales and use tax bonds. This 1% sales tax, reapproved in March 2012, is split 3/4% for bond retirement and 1/4% for General Fund programs. The 2012 sales and use tax bonds were issued for general government uses and business-type activities. The business-type activity improvements are recorded as contributions on the fund financial statements.

Table 7

City of Fort Smith, Arkansas
Local Sales and Use Tax Collections
And Direct and Overlapping Local Tax Rates
Continuing Disclosure Requirement
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	1% City Sales & Use Tax Allocated for Street (1)	City Share 1% County Sales & Use Tax (2)	1% or 3/4% City Sales & Use Tax Allocated for Bonds (3)	1/4% City Sales & Use Tax Allocated Fire & Parks (3)	Total	Direct City Tax Rate	Overlapping Sebastian County Tax Rate
2006	\$ 18,420,915	\$ 14,718,645	\$ 18,420,915	\$ -	\$ 51,560,475	2.00%	1.00%
2007	18,929,527	15,155,255	18,929,527	-	53,014,309	2.00%	1.00%
2008	20,613,205	16,610,714	20,613,205	-	57,837,124	2.00%	1.00%
2009	18,777,493	15,046,777	18,777,493	-	52,601,763	2.00%	1.00%
2010	18,599,727	14,892,017	18,599,727	-	52,091,471	2.00%	1.00%
2011	19,341,760	15,155,032	19,341,760	-	53,838,552	2.00%	1.00%
2012	19,605,123	15,279,008	18,836,899	768,224	54,489,254	2.00%	1.00%
2013	19,468,975	15,353,991	14,601,731	4,867,243	54,291,940	2.00%	1.00%
2014	20,099,013	15,625,636	15,074,259	5,024,753	55,823,661	2.00%	1.00%
2015	20,380,151	16,090,921	15,284,934	5,094,293	56,850,299	2.00%	1.00%
Total	\$ 194,235,889	\$ 153,927,996	\$ 178,480,450	\$ 15,754,513	\$ 542,398,848		

(1) The City Sales and Use Tax allocated for construction, repair and maintenance of street, bridge and associated drainage improvements was initially assessed in 1985 for a period of 10 years. The tax has been reauthorized through 2015. The tax is accounted for in the Sales Tax Fund, a special revenue fund.

(2) Sebastian County began assessing a 1% Sales and Use Tax August 1, 1994. The City receives a share of the tax based upon its population within Sebastian County. The City allocates its share of the tax to its General Fund. The tax has been reauthorized through 2024.

(3) Prior to May 2006, the City assessed two 1/2 % City sales and use taxes to total 1% for bond redemption. The first 1/2% was allocated to redeem the City of Fort Smith Sales and Use Tax Bonds, Series 1997. The 1997 Bonds were issued to fund the construction for the convention center, public library facilities, and riverfront park projects. The tax became effective January 1, 1998. The second 1/2% was allocated to redeem the City of Fort Smith Sales and Use Tax Bonds, Series 2001. The 2001 Bonds were issued to fund a portion of the Lake Fort Smith water supply expansion project and to fund wastewater improvements. The tax for the 2001 Bonds became effective May 1, 2001. The 1997 Bonds were redeemed in June 2004 and now the entire 1% tax is allocated to the repayment of the 2001 Bonds. In May 2006, the 1% sales and use tax was approved to support the issuance of City of Fort Smith Sales and Use Tax Refunding and Construction Bonds, Series 2006. The 2006 Bonds were issued to refund the outstanding 2001 Bonds, acquire a public safety and utility radio communication system, and provide wastewater improvements in accordance with an EPA administrative order. In November 2008, additional sales and use tax bonds were issued to provide more funding for the radio project and the wastewater projects. In September 2009, additional sales and use tax bonds were issued for more wastewater projects. The 2009 Bonds will be paid with the sales and use tax once the 2006 and 2008 Bonds are redeemed. The 2009 Bonds interest payments are currently being supported by a temporary sewer rate that is in effect until the 2006 and 2008 Bonds are redeemed. In January 2010, the City issued additional sales and use tax bonds for even more wastewater projects. The 2006, 2008, and 2010 Bonds are supported by the 1% sales and use tax. Once these bonds are redeemed, the 1% sales and use tax will support the 2009 Bonds and the temporary sewer rate will be discontinued. The 2010 were redeemed in full during 2010. In May 2012, the city issued sales and use tax bonds to provide for water improvements, wastewater improvements, fire facilities and apparatus, and for an aquatics park in conjunction with Sebastian County. The outstanding 2006, 2008 and 2009 bonds were called by the 2012 bonds. The temporary sewer rate was removed in early July 2012. Beginning October 1, 2012, the 1% sales tax is split with 3/4% allocated to the redemption of the 2012 bonds and 1/4% allocated to operations in the fire and parks departments.

Table 8

City of Fort Smith, Arkansas
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Tax Levy (1)	Current Tax Collections	Percent of Levy Collections	Delinquent Tax Collections	Total Tax Collections	Collection Percent of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Levy
2006	\$ 7,735,932	\$ 7,277,449	94.07%	\$ 397,572	\$ 7,675,021	99.21%	\$ 309,621	4.00%
2007	8,221,008	7,744,922	94.21%	337,687	8,082,609	98.32%	138,399	1.68%
2008	8,629,508	8,154,385	94.49%	434,209	8,588,594	99.53%	280,412	3.25%
2009	8,328,466	7,702,929	92.49%	305,640	8,008,569	96.16%	402,909	4.84%
2010	9,518,247	9,035,518	94.93%	411,376	9,446,894	99.25%	527,023	5.54%
2011	9,730,326	9,299,637	95.57%	344,396	9,644,033	99.11%	453,411	4.66%
2012	10,048,916	9,514,504	94.68%	396,701	9,911,205	98.63%	705,667	7.02%
2013	10,213,111	8,317,052	81.44%	424,158	8,741,210	85.59%	394,097	3.86%
2014	10,551,660	7,740,390	73.36%	1,318,456	9,058,846	85.85%	523,298	4.96%
2015	10,656,912	8,643,537	81.11%	302,693	8,946,230	83.95%	429,658	4.03%

- (1) Total tax levy is based upon valuation of previous year and has been adjusted for the homestead tax relief for property owners which became effective for the 2001 fiscal year. The tax levy for this schedule represents the City's levy for its General Fund and for the police and fire pension contributions in the LOPFI Fund, a special revenue fund. The city also receives one-half of the collections from the county levy in its Street Maintenance Fund, a special revenue fund.

Table 9

City of Fort Smith, Arkansas
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

Fiscal Year (1)	Real Property		Personal Property		Total		Ratio of Total Assessed to Total Estimated Actual	Direct Tax Rate (per \$100 assessed value)
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2006	\$ 722,422,061	\$ 3,612,110,305	\$ 365,714,785	\$ 1,828,573,925	\$ 1,088,136,846	\$ 5,440,684,230	20.00%	0.70
2007	756,337,274	3,781,686,370	378,474,240	1,892,371,200	1,134,811,514	5,674,057,570	20.00%	0.70
2008	844,728,636	4,223,643,180	405,474,180	2,027,370,900	1,250,202,816	6,251,014,080	20.00%	0.70
2009	837,275,432	4,186,377,160	335,318,153	1,676,590,765	1,172,593,585	5,862,967,925	20.00%	0.70
2010	873,592,440	4,367,962,200	336,466,947	1,682,334,735	1,210,059,387	6,050,296,935	20.00%	0.70
2011	941,388,230	4,706,941,150	353,247,975	1,766,239,875	1,294,636,205	6,473,181,025	20.00%	0.70
2012	968,690,035	4,843,450,175	357,156,805	1,785,784,025	1,325,846,840	6,629,234,200	20.00%	0.70
2013	980,472,019	4,902,360,095	367,266,450	1,836,332,250	1,347,738,469	6,738,692,345	20.00%	0.70
2014	998,630,922	4,993,154,610	361,225,320	1,806,126,600	1,359,856,242	6,799,281,210	20.00%	0.70
2015	1,013,693,663	5,068,468,315	355,566,010	1,777,830,050	1,369,259,673	6,846,298,365	20.00%	0.70

(1) Fiscal year is year of valuation.

The assessed value of real and personal property within the city limits is used as the basis for applying the city's property tax rates shown.

Table 10

City of Fort Smith, Arkansas
Property Tax Rates and Tax Levies
All Direct and Overlapping Governments
Last Ten Fiscal Years
(Unaudited)

Tax rates (per \$100 of assessed valuation):

Fiscal Year (1)	Overlapping Rates										Total Direct & Overlapping Rates	
	City of Fort Smith		Sebastian County		FS School District		FS Public Library					
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property		
2006	\$ 0.70	\$ 0.70	\$ 0.80	\$ 0.80	\$ 3.65	\$ 3.65	\$ 0.10	\$ 0.10	\$ 5.25	\$ 5.25		
2007	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25		
2008	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25		
2009	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25		
2010	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25		
2011	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25		
2012	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25		
2013	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25		
2014	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25		
2015	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25		

Fiscal Year (1)	Overlapping Rates										Total Direct & Overlapping Rates	
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property		
2006	\$ 7.00	\$ 7.00	\$ 8.00	\$ 8.00	\$ 36.50	\$ 36.50	\$ 1.00	\$ 1.00	\$ 52.50	\$ 52.50		
2007	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50		
2008	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50		
2009	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50		
2010	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50		
2011	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50		
2012	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50		
2013	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50		
2014	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50		
2015	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50		

(1) Fiscal year is year of levy.

Table 11

City of Fort Smith, Arkansas
Principal Taxpayers
Current Year and Nine Years Ago
(Unaudited)

Name of Taxpayer (1)	2015			2006		
	Taxable Assessed Valuation (2)	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation (2)	Rank	Percentage of Total Assessed Valuation
Oklahoma Gas & Electric Co.	\$ 26,345,615	1	1.95%			
Fort Smith HMA PBC Mgmt. LLC	23,927,385	2	1.77%			
Verizon Wireless	19,402,835	3	1.44%			
AT&T Mobility	18,973,935	4	1.40%			
Gerber Products Company	18,921,427	5	1.40%	\$ 3,308,820	8	0.31%
Baldor Electric Company	17,221,735	6	1.27%			
St. Edwards Mercy Medical Center	16,840,250	7	1.25%	3,141,690	6	0.29%
OK Farms, Inc.	15,279,400	8	1.13%			
Wal-Mart/Sam's Club	18,167,730	9	1.34%	6,352,753	2	
Fort Smith Mall LLC	12,417,649	10	0.92%	6,961,500	1	0.64%
Whirlpool Corporation				5,800,000	3	0.54%
GGNSC Administrative Services				5,619,990	4	0.52%
Medical Buildings of Arkansas				3,904,725	5	0.36%
Arkansas Best Corporation				3,831,000	7	0.35%
Widwer Place, Inc.				3,100,390	9	0.29%
The Parks Apartments of Fort Smith				2,792,810	10	0.26%
	<u>\$ 187,497,961</u>		13.88%	<u>\$ 44,813,678</u>		3.56%

(1) Sebastian County Assessor's Office.

(2) Property taxes collected in 2015 are based upon 2014 assessed valuation of \$1,350,856,242. Property taxes collected in 2005 were based upon the 2006 assessed valuation of \$1,080,092,195.

Table 12

City of Fort Smith, Arkansas
Computation of Direct and Estimated Overlapping Debt
December 31, 2015
(Unaudited)

Taxing Jurisdiction	Total Outstanding Bonded Debt (1)	Estimated Percent Applicable (2)	Direct and Estimated Overlapping Bonded Debt
Direct:			
City of Fort Smith	\$ 113,634,511	100%	\$ 113,634,511
Overlapping:			
Fort Smith Special School District	73,375,525	100%	73,375,525
Greenwood School District	45,335,000	5%	2,266,750
Sebastian County	-	76%	-
Total Overlapping	118,710,525		75,642,275
Total direct and estimated overlapping bonded debt	\$ 232,345,036		\$ 189,276,786
Ratio, direct and estimated overlapping debt to fiscal 2014 assessed valuation (3)			13.9%
Per capita direct and estimated overlapping bonded debt (4)			\$ 2,165

(1) Excluding self-supporting debt.

(2) The percentage applicable to the City of Fort Smith is based on the relative assessed values within the City.

(3) From Table 9, \$1,369,259,673

(4) Based on the estimated population for 2015 in Table 14.

Table 13

City of Fort Smith, Arkansas
Computation of Legal Debt Margin
Last Ten Fiscal Years
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net assessed value (1)	\$ 1,088,136,846	\$ 1,134,811,514	\$ 1,250,202,816	\$ 872,593,585	\$ 1,210,059,387	\$ 1,294,636,205	\$ 1,325,846,840	\$ 1,347,738,469	\$ 1,350,856,242	\$ 1,369,259,673
Plus exempt property (2)	-	-	-	-	-	-	-	-	-	-
Total assessed value	<u>\$ 1,088,136,846</u>	<u>\$ 1,134,811,514</u>	<u>\$ 1,250,202,816</u>	<u>\$ 872,593,585</u>	<u>\$ 1,210,059,387</u>	<u>\$ 1,294,636,205</u>	<u>\$ 1,325,846,840</u>	<u>\$ 1,347,738,469</u>	<u>\$ 1,350,856,242</u>	<u>\$ 1,369,259,673</u>
Debt limit - 25% of total assessed value (3)	\$ 272,034,212	\$ 283,702,879	\$ 312,550,704	\$ 218,148,396	\$ 302,514,847	\$ 323,659,051	\$ 331,461,710	\$ 336,934,617	\$ 337,714,061	\$ 342,314,918
Amount of debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Debt Margin	<u>\$ 272,034,212</u>	<u>\$ 283,702,879</u>	<u>\$ 312,550,704</u>	<u>\$ 218,148,396</u>	<u>\$ 302,514,847</u>	<u>\$ 323,659,051</u>	<u>\$ 331,461,710</u>	<u>\$ 336,934,617</u>	<u>\$ 337,714,061</u>	<u>\$ 342,314,918</u>

(1) From Table 7.

(2) Not available

(3) Limitation is established by state statute.

(4) Includes general obligation debt net of assets available for bond retirement.

Table 14

City of Fort Smith, Arkansas
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Sales Tax Bonds	Notes Payable	Capital Leases	Revenue Bonds	Sales Tax Bonds	Capital Leases			
2006	\$ 85,381,572	\$ 2,290,000	\$ 388,004	\$ 142,142,896	\$ -	\$ 315,442	\$ 230,517,914	2.9%	\$ 2,761
2007	72,270,751	1,865,000	222,135	158,877,605	-	61,722	233,297,213	2.8%	2,769
2008	71,291,296	1,425,000	161,340	200,133,887	-	14,482	273,026,005	3.1%	3,223
2009	83,108,248	970,000	96,209	193,336,746	-	759,641	278,270,844	3.1%	3,245
2010	70,142,001	495,000	49,134	186,251,924	-	514,572	257,452,631	2.7%	2,986
2011	52,894,533	-	-	179,222,398	-	677,219	230,042,219	2.4%	2,639
2012	115,161,914	-	294,355	174,755,817	-	910,196	282,394,551	3.0%	3,229
2013	101,838,920	-	160,439	168,766,139	-	1,066,493	271,831,991	2.9%	3,109
2014	125,361,084	-	281,239	162,626,345	-	355,190	288,623,858	3.0%	3,309
2015	113,634,511	-	173,163	188,028,416	-	-	301,836,090	3.1%	3,452

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 16 for the personal income and population data.

Table 15

City of Fort Smith, Arkansas
Revenue Bonds Debt Service Coverage
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year	Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Services	Debt Service Requirements			Coverage
					Principal	Interest (3)	Total	
Water and Sewer System	2006	\$ 35,439,335	\$ 21,269,130	\$ 14,170,205	\$ 6,820,000	\$ 2,776,864	\$ 9,596,864	148%
	2007	35,181,555	19,365,972	15,815,583	7,115,000	6,245,962	13,360,962	118%
	2008	38,608,012	20,463,804	18,144,208	8,350,000	6,411,852	14,761,852	123%
	2009	37,118,841	21,489,095	15,629,746	5,665,000	9,335,000	15,000,000	104%
	2010	38,661,437	20,872,208	17,789,229	5,910,000	9,089,126	14,999,126	119%
	2011	40,820,838	20,759,793	20,061,045	6,170,000	8,828,313	14,998,313	134%
	2012	41,080,985	22,019,792	19,061,193	4,045,000	7,968,048	12,013,048	159%
	2013	37,841,132	22,867,856	14,973,276	5,705,000	7,896,016	13,601,016	110%
	2014	36,176,568	23,037,349	13,139,219	5,870,000	7,728,715	13,598,715	97%
	2015	43,646,523	24,179,774	19,466,749	6,085,000 (5)	7,567,304	13,652,304	143%
Solid Waste System	2006	\$ 12,216,101	\$ 9,108,943	\$ 3,107,158	\$ 850,000	\$ 214,021	\$ 1,064,021	292%
	2007	13,122,193	10,269,779	2,852,414	875,000	187,827	1,062,827	268%
	2008	14,650,900	10,346,750	4,304,150	910,000	153,320	1,063,320	405%
	2009	12,675,503	10,058,856	2,616,647	945,000	113,716	1,058,716	247%
	2010	13,390,293	10,476,471	2,913,822	1,020,000	83,220	1,103,220	264%
	2011	12,675,503	10,142,163	2,533,340	1,060,000	21,465	1,081,465	234%
	2012 (4)	12,927,934	10,925,530	2,002,404	-	-	-	N/A
	2013 (4)	15,278,747	10,820,344	4,458,403	-	-	-	N/A
	2014 (4)	13,638,922	11,598,608	2,040,314	-	-	-	N/A
	2015 (4)	13,827,406	10,846,954	2,980,452	-	-	-	N/A

(1) For purposes of this schedule, revenue includes operating revenue, interest revenue, and gross other nonoperating revenue.

(2) Excludes depreciation expense and amortization expense.

(3) Total interest paid for the fiscal year is presented in this schedule for revenue bonds only and it does not include capitalized interest or accrued interest.

2015 reconciliation of interest paid reported on this schedule to the statement of revenues, expenses, and changes in fund net assets for the proprietary funds:

	Water & Sewer
Interest paid - this schedule	\$ 7,567,304
Capitalized interest	-
Accrued interest - 12/31/14	(1,878,187)
Accrued interest - 12/31/15	1,827,370
Interest expense - statement of revenues, expenses, and changes in fund net position	<u>\$ 7,516,487</u>

(4) The solid waste system revenue bonds were redeemed in full during 2011. There are no revenue bonds outstanding at December 31, 2012 - 2015 for the solid waste system.

(5) For the purposes of this schedule, the principle amount was adjusted for the 2005B bond refunding and the amount that was expected to be retired in 2015 relating to these bonds.

Table 16

City of Fort Smith, Arkansas
Demographic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	City Population (1)	County Population (1)	Personal Income (2) (in thousands)	Per Capita Income (2)	Median Age (3)	Education Level in Years of Schooling (3)	School Enrollment (4)	Unemployment Rate (2)
2006	83,489	120,351	\$ 8,009,000	\$ 28,738	35.4	12	13,633	4.9%
2007	84,253	121,741	8,435,449	30,122	35.4	12	13,900	5.3%
2008	84,708	122,436	8,937,040	31,602	35.4	12	13,759	6.1%
2009	85,747	123,597	9,054,458	30,896	35.4	12	13,792	8.2%
2010	86,209	125,744	9,395,000	31,266	35.0	12	14,109	8.5%
2011	87,155	126,948	9,537,232	31,891	35.0	12	13,896	8.6%
2012	87,443	127,304	9,503,067	33,876	35.0	12	14,048	7.7%
2013	87,443	127,304	9,469,141	34,892	35.0	12	14,313	8.1%
2014	87,215	127,463	9,478,220	34,711	35.7	12	14,317	5.5%
2015	87,443 *	126,716	9,698,200 *	37,340 *	35.0	12	14,918	5.4%

Data Sources:

- (1) Bureau of the Census
- (2) U.S. Department of Commerce
- (3) Community Development Department's estimate.
- (4) Fort Smith School District
- * Estimate

Table 17

City of Fort Smith, Arkansas
Principal Employers
Continuing Disclosure Requirement
Current Year and Nine Years Ago
(Unaudited)

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
O. K. Industries	3,235	1	2.8%	4,748	1	3.4%
Mercy Medical Center	2,300	2	2.0%	1,800	5	1.3%
Baldor Electric Company	1,942	3	1.7%	2,262	3	1.6%
Fort Smith Public Schools	1,773	4	1.5%	1,702	7	1.2%
Sparks Health Systems	1,578	5	1.4%	2,170	4	1.6%
Arkansas Best Corp.	1,243	6	1.1%	946	8	0.7%
City of Fort Smith	936	7	0.8%	890	9	0.6%
Rheem-Ruud	900	8	0.8%	1,774	6	1.3%
Golden Living	850	9	0.7%			
Bost Human Development Services	800	10	0.7%			
Whirlpool Corporation				4,200	2	3.0%
Cooper Clinic				730	10	0.5%
Total	12,322		13.6%	16,474		11.8%

Data Sources:

Chamber of Commerce

U.S. Department of Labor, employment totals:

2015 114,500

2006 139,100

Table 18

City of Fort Smith, Arkansas
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years
(Unaudited)

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	124	128	125	125	127	127	126	126	125	144
Public safety:										
Police										
Officers	168	168	168	168	170	170	163	163	163	159
Civilians	46	46	46	52	59	59	59	59	59	59
Fire										
Firefighters and officers	126	129	129	129	129	129	129	149	149	149
Civilians	3	3	3	3	3	3	3	3	3	3
Public works:										
Operations	5	5	5	5	5	5	5	5	5	5
Streets	46	46	46	46	46	46	46	54	54	54
Traffic control	13	13	13	13	13	13	13	13	13	13
Parks and recreation	54	57	57	58	58	58	58	64	64	44
Transit	36	36	36	36	36	36	36	35	34	33
Water and sewer	191	191	191	191	192	189	191	192	196	195
Sanitation	77	78	78	78	78	78	78	78	78	78
	<u>77</u>	<u>78</u>	<u>78</u>	<u>78</u>	<u>78</u>	<u>78</u>	<u>78</u>	<u>78</u>	<u>78</u>	<u>78</u>
Total	<u>889</u>	<u>900</u>	<u>897</u>	<u>904</u>	<u>916</u>	<u>913</u>	<u>907</u>	<u>941</u>	<u>943</u>	<u>936</u>

Table 19

City of Fort Smith, Arkansas
Capital Asset Statistics by Function
Last Ten Fiscal Years
(Unaudited)

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	8	8	8	8	8	8	8	8	8	8
Patrol units	12	12	12	12	12	12	12	12	12	12
Fire:										
Stations	10	10	10	10	10	10	10	11	11	11
Apparatus	21	21	21	21	21	21	18	17	17	17
Streets										
Streets (miles)	562	566	578	590	590	590	590	590	590	590
Streetlights	5,971	5,971	6,029	6,029	6,029	6,053	6,053	6,053	6,053	6,600
Traffic signals	135	135	142	146	146	149	149	149	149	150
Parks and recreation										
Parks acreage (square feet)	273	273	273	273	273	273	273	273	276	286
Parks	26	26	25	25	25	25	25	25	26	28
Swimming pools	1	1	1	1	1	1	1	1	1	1
Water splashpad	1	1	1	1	1	1	1	1	1	2
Tennis courts	14	12	12	12	12	12	12	12	12	12
Skatepark	1	1	1	1	1	1	1	1	1	1
Community centers	5	5	5	5	5	5	5	5	5	5
Convention center -										
Theater -seats	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331
Theater -area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Exhibit Hall -area (square feet)	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Transit buses	20	20	20	20	20	20	20	20	19	16
Water and sewer										
Water mains (miles)	560	560	627	626	626	626	626	626	626	702
Average daily production capacity										
(thousands of gallons)	54,100	54,100	55,000	59,000	41,999	63,400	63,400	63,400	63,400	63,400
Average daily consumption (thousands of gallons)	28,097	29,197	28,876	37,004	26,473	30,532	30,532	21,267	22,137	20,862
Sanitary sewers (miles)	505	505	505	516	516	500	500	545	545	516
Storm sewers	7,900	7,900	7,900	7,900	7,900	7,900	7,900	7,900	7,900	7,900
Sanitation										
Collection trucks	52	52	52	52	53	53	45	45	45	45
Landfill capacity (in cubic yards)	67,197,006	66,853,337	66,405,305	66,151,721	65,872,831	65,585,500	65,343,244	65,023,707	64,998,995	63,895,067

NA - not available

Table 20

City of Fort Smith, Arkansas
Operating Indicators by Function
Last Ten Fiscal Years
(Unaudited)

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police:										
Physical arrest	10,512	10,834	10,848	9,776	10,073	8,820	9,324	8,781	8,155	9,026
Parking violations	1,732	3,887	3,094	5,702	7,622	5,984	5,649	5,312	4,320	5,197
Traffic violations	20,442	21,129	24,191	19,593	16,296	14,841	14,841	14,946	11,343	14,165
Fire										
Number of calls answered	7,326	7,619	7,200	7,825	8,026	8,158	8,793	8,688	10,148	10,071
Transit										
Passenger trips	155,515	173,917	208,600	177,991	191,221	198,165	206,329	215,591	204,097	194,869
Water and sewer										
New connections	1,391	458	346	345	450	371	299	314	269	246
Average daily production (thousands of gallons)	28,097	29,197	23,567	23,934	26,473	30,532	28,554	26,850	22,137	26,859
Average daily sewage flow (thousands of gallons)	15,290	16,400	18,231	19,473	16,844	17,421	15,200	14,684	17,100	21,040
Sanitation										
Waste disposal (cubic yards/day)	1,299	1,234	1,042	1,040	1,137	1,052	1,352	1,024	1,024	1,024

Table 21

City of Fort Smith, Arkansas
Solid Waste System Statistics
Continuing Disclosure Requirement
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Annual # Sanitation System Customers	Cubic Yardage of Waste at Landfill	Useful Life of Landfill Remaining (1)	Remaining Storage Capacity at Landfill
2006	304,620	1,404,524	40 yrs	67,197,006 cubic yards
2007	306,864	1,334,806	40 yrs	66,853,337 cubic yards
2008	310,224	1,129,422	40 yrs	66,405,305 cubic yards
2009	312,972	1,124,130	39 yrs	66,151,721 cubic yards
2010	317,124	1,229,905	39 yrs	65,872,831 cubic yards
2011	321,048	1,137,597	21 yrs	65,585,500 cubic yards
2012	323,988	1,466,643	19 yrs	65,343,244 cubic yards
2013	327,036	1,107,403	16 yrs	65,023,707 cubic yards
2014	330,300	1,037,201	12 yrs	64,998,995 cubic yards
2015	351,660	1,367,035	14 yrs	63,895,067 cubic yards

- (1) This is the remaining life of the current cell being filled at the landfill. The entire landfill has a remaining life of 194 years.

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Table 22

City of Fort Smith, Arkansas
Water and Sewer Statistics
Continuing Disclosure Requirement
(Unaudited)

Fiscal Year	Average Daily Water Use in Gallons	Maximum Daily Water Use in Gallons	Total Water Use for Year in Gallons	Average Daily Sewage Flow in Gallons
2011	30,532,000	43,500,000	8,503,902,000	17,421,000
2012	28,554,000	41,594,000	10,450,796,000	15,200,000
2013	26,850,000	38,419,000	9,800,220,000	14,684,000
2014	22,137,000	38,157,000	8,079,966,000	17,100,000
2015	26,859,000	36,791,000	9,803,481,000	21,040,000

Water Customers					
Fiscal Year	Residential	Commercial	Wholesale	Other	Total
2011	28,955	4,174	13	10	33,152
2012	29,104	4,196	13	132	33,445
2013	29,261	4,190	13	140	33,604
2014	29,346	4,222	13	151	33,732
2015	29,474	4,205	13	158	33,850

Sewer Customers				
Fiscal Year	Residential	Commercial	Government	Total
2011	26,695	3,685	10	30,390
2012	26,833	3,691	83	30,607
2013	26,976	3,669	87	30,732
2014	27,062	3,654	91	30,807
2015	27,185	3,664	94	30,943

Table 22 (Continued)

City of Fort Smith, Arkansas
Water and Sewer Statistics (Continued)
Continuing Disclosure Requirement
(Unaudited)

For 2014:

Entity	Water	Sewer	Total	% of Gross Revenues
City of Van Buren	\$ 3,248,401	\$ -	\$ 3,248,401	9.04%
OK Foods	2,167,372	101,227	2,268,599	6.32%
Gerber Products	1,219,559	-	1,219,559	3.40%
Gerdau Macsteel	441,989	240,041	682,030	1.90%
Sparks Medical Center	264,927	241,790	506,717	1.41%
Mars Petcare US	138,534	48,426	186,960	0.52%
St. Edward Mercy Medical Center	143,846	44,869	188,715	0.53%
The Links Fort Smith	63,955	85,540	149,495	0.42%
Kraft Foods	89,108	113,958	203,066	0.57%
Pernod Ricard (Hiram Walker)	61,814	31,558	93,372	0.26%
James River Dixie	41,305	52,824	94,129	0.26%
Henderson Properties	39,437	63,234	102,671	0.29%
Sebastian County Park/Jail	49,978	66,845	116,823	0.33%
Top Ten Users	<u>\$ 7,970,225</u>	<u>\$ 1,090,312</u>	<u>\$ 9,060,537</u>	<u>25.23%</u>

For 2015:

Entity	Water	Sewer	Total	% of Gross Revenues
City of Van Buren	\$ 3,274,344	\$ -	\$ 3,274,344	7.51%
OK Foods	2,693,635	157,071	2,850,706	6.54%
Gerber Products	1,067,001	-	1,067,001	2.45%
Gerdau Macsteel	401,239	503,580	904,819	2.07%
Sparks Medical Center	286,574	244,224	530,799	1.22%
Mars Petcare US	145,151	85,609	230,760	0.53%
St. Edward Mercy Medical Center	142,776	77,738	220,514	0.51%
James River Dixie	66,716	128,980	195,696	0.45%
Kraft Foods	68,651	123,571	192,222	0.44%
The Links Fort Smith	57,794	104,042	161,836	0.37%
Henderson Properties	42,331	77,362	119,693	0.27%
Pernod Ricard (Hiram Walker)	57,991	33,283	91,274	0.21%
Sebastian County Park/Jail	70,122	925	71,047	0.16%
Top Ten Users	<u>\$ 8,374,325</u>	<u>\$ 1,536,386</u>	<u>\$ 9,910,711</u>	<u>22.73%</u>

Independent Accountants' Report on Compliance With Certain State Acts

The Honorable Mayor and Board of Directors
City of Fort Smith, Arkansas
Fort Smith, Arkansas

We have examined management's assertions that the City of Fort Smith, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2015:

- (1) Arkansas Municipal Accounting Law of 1973, § 14-59-101 et seq.;
- (2) Arkansas District Courts and City Courts Accounting Law, § 16-10-210 et seq.;
- (3) Improvement contracts, §§ 22-9-202 – 22-9-204;
- (4) Budgets, purchases, and payments of claims, etc., § 14-58-201 et seq. and 14-58-301 et seq.;
- (5) Investment of public funds, § 19-1-501 et seq.; and
- (6) Deposit of public funds, §§ 19-8-101 – 19-8-107.

Management is responsible for the City's compliance with these requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Fort Smith, Arkansas complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2015.

This report is intended solely for the information and use of the Mayor, Board of Directors, management and the state of Arkansas and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Fort Smith, Arkansas
September 30, 2016